Austria	Sch30	Iran	Rls210	Pakistan	Rs35
Bahrain	Din0.800	Israel	Shk4.50	Philippines	Pso40
Belgium	BFr60	Italy	L2200	Poland	Zl 11,000
Cyprus	C£1.00	Jordan	JD1.20	Portugal	Esc175
Denmark	DKr13	Korea	Won 2000	Qatar	QR10.00
Egypt	E£3.50	Kuwait	Fils.500	S.Arabia	SR8.00
Finland	FM8.50	Lebanon	L£1,000	Singapore	S$4.10
France	FFr7.50	Lux	LFr60	Spain	Pta175
Germany	DM3.00	Malta	45 cents	Sweden	SKr13
Greece	Dr200	Morocco	MDh10	Switz	SFr2.70
Hungary	Ft145	Neth	Fl 3.50	Thailand	Bt50
Iceland	IKr180	Nigeria	Naira15	Tunisia	Din0.800
India	Rs80	Norway	NKr13.00	Turkey	L3000
Indonesia	Rp3100	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Wednesday April 24 1991

D 8523A

EAST EUROPE

A lesson to be learnt from Asia

Page 15

World News

Brussels will defend Airbus with 'every legal weapon'

The European Commission will use "every legal weapon" at its disposal to defend the interests of Airbus in its aircraft subsidies dispute with the US, Jean Pierson, the head of the European aircraft consortium, said.

The long-standing trade dispute has entered an important new phase with the US taking the issue before the General Agreement on Tariffs and Trade (Gatt). Page 8

Slovak PM ousted

Thousands of autonomy-minded Slovaks took to the streets to protest at the ousting from parliament of prime minister Vladimir Meciar. He was replaced by Jan Carnogursky, his deputy and chief rival. Page 3

Israeli demoted

An Israeli military court demoted an army colonel to private for ordering his troops to smash the bones of Arab demonstrators. The judges said the lengthy trial had caused too much suffering to Colonel Yehuda Meir for him to be sent to jail.

Rocard under fire

French opposition parties asked President François Mitterrand to dissolve parliament and call a general election after Prime Minister Michel Rocard suffered his third political setback in a week.

Scud kills 350

About 350 bodies have been recovered from the rubble of the north-eastern Afghan town of Asadabad after a Scud missile attack by the government at the weekend, Afghan rebels said.

De Klerk's appeal

President F.W. de Klerk called for remaining economic sanctions against South Africa to be lifted, saying his country was poised for an economic revival that could take off with foreign investment. Page 4

Forty die in quake

Over 40 people have been killed and hundreds injured in an earthquake which shook the Caribbean coasts of Costa Rica and Panama. Page 6

Democracy protests

Cameroon's powerful opposition dismissed President Paul Biya's pro-democracy moves as too little and too late as reports came in of more deaths during anti-government protests.

Kenyan treason

A former member of parliament, Koigi wa Wamwere, and seven others charged with plotting to overthrow Kenyan President Daniel arap Moi's government are to stand trial for treason.

Rights promised

Bulgaria will have a law on privatisation and property rights in place by the autumn, prime minister Dimiter Popov said. Page 3

Arab 'collaborators'

Palestinian militants in the occupied territories killed two Arabs and wounded a third on suspicion of helping Israeli security forces.

Bombs rock Turkey

Bombs rocked Istanbul's stock exchange building and a police station in the Aegean city of Izmir, causing damage but no casualties.

Kashmir editor killed

Unidentified gunmen killed newspaper editor Mohammad Shaban Vakil, who was the first journalist to die in a 16-month uprising against Indian rule in Kashmir. Kashmir guerrillas, Page 4

Ban on turtles

Japan is to ban imports of the endangered Olive Ridley sea turtle from the end of the month.

Business Summary

Compromise plan for European central bank

Luxembourg proposed that the European Community establish a fully fledged central bank during the transition to monetary union, but delay its creation until 1996. Page 16

US AIR FORCE awarded the $65bn contract to produce a new stealth fighter aircraft to a consortium of Lockheed, Boeing and General Dynamics. A rival tender by Northrop and McDonnell Douglas was rejected.

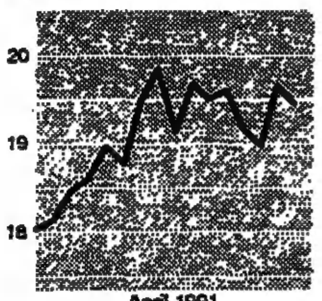
SKF, world's leading roller bearings maker, recorded a 91.8 per cent slide in first-quarter profits due to falling demand. Page 17

NEC, Japanese electronics company, is taking part in negotiations with Groupe Bull of France. Page 17

NORWAY will overtake Britain as Europe's biggest crude oil producer this year, according to a report. The country's average crude oil and natural gas liquids (Ngl) production will increase by 13 per cent over last year's level to 1.94m barrels a day. Commodities, Page 26

Oil price

$ per barrel



Source: Petroleum Argus

MARKETS: concerted dollar sales by European central banks and weak economic news from the US took some of the steam out of the dollar's recent rise. In late New York trading the dollar was DM1.7435, after closing in London at DM1.7420, against a previous close of DM1.7760. It also fell in London to Y137.90 from Y139.40; to SFr1.4590 from SFr1.4795; and to FFr5.8750 from FFr5.9475. Page 16; Currencies, Page 34

ALAN GREENSPAN, chairman of the Federal Reserve, strongly criticised US Treasury proposals requiring foreign banks to set up separately capitalised local holding companies if they wish to take advantage of the opening up of US financial services. Page 16

SPAIN'S two biggest private-sector electricity utilities are in negotiations to create one of Europe's largest private utilities. Page 17

ERIDANIA, agro-industrial subsidiary of Italy's Ferruzzi group, suffered a fall in consolidated net profits. Page 18

GENERALE de Banque, Belgium's largest bank, announced net profits for 1990 of BFr8bn ($232m). Page 18

SALOMON and **Morgan Stanley**, two of the largest securities houses in the US, unveiled big increases in first-quarter profits. Page 20

CINCINNATI Milacron, machine tool maker, slipped into the red in the first quarter. Page 20

RJR NABISCO, tobacco and food group, reported a small after-tax profit of $5m in the first-quarter of 1991. Page 20

ITT, US conglomerate with interests ranging from defence to insurance, reported a 9.4 per cent fall in first-quarter profits. Page 20

HUNGARY plans to launch convertible bonds on the back of its privatisation programme. Page 21

BARCLAYS de Zoete Wedd is closing its US equities operations and laying off 15 per cent of its staff. Page 22

Lloyd's makes cash call to meet US pollution claims

By Richard Lapper in London

THOUSANDS of Names at Lloyd's – the wealthy individuals who back underwriting at the London insurance market – are to be asked to provide about £100m ($169m) in fresh funds to cover asbestosis and pollution claims in the US.

Willis Faber & Dumas (Agencies) is one of several members' agencies sending letters to more than 3,000 Names on marine syndicates 406 and 448, advising them of a sharp upward revision in estimated underwriting losses for the 1988 underwriting year.

Names on the two syndicates, two of the biggest in the Lloyd's market, could face bills for at least £25,000 each.

There is growing concern in the market in particular about the impact of claims arising from pollution in the US, to which many of the market's syndicates could be exposed.

Lloyd's has been hit by a series of claims arising from long-tail US liability business, in which claims can emerge many years after the policies were originally written.

Hitherto most losses on US liability business have stemmed asbestosis. Now, however, the market is having to pay out for a growing number of pollution cases, mainly reflecting the costs of cleaning up toxic waste on the orders of the US government.

Mr John Rew, co-author of Chatset's Lloyd's League Tables, a market guide, said yesterday: "For a long time we've been warning about the dangers of US long-tail liabilities. It's a treadmill for the Names." Mr Rew said that Chatset had revised its estimates of Lloyd's result for the 1988 year (to be published in July 1991) to an overall loss.

In the Willis letter, Mr James Sinclair, managing director of the agency, said Willis had been "shocked to learn" that the Wellington Underwriting Agency, which manages syndicates 406 and 448 had revised their "estimated loss on both syndicates."

A total of 3,022 Names on syndicate 406 will be asked to meet a cash call of about £70m following losses recorded in the 1988 underwriting year. 3,808 Names on syndicate 448 will be asked to meet a loss of about £35m.

Mr John Prentice, chairman of Wellington, said loss estimates had been revised upwards following an acceleration of claims in the last few months but the figures still had to be "finalised."

Although both syndicates 406 and 448 specialise in marine business, both devote between 20 and 25 per cent of their underwriting capacity to non-marine liability insurance.

Willis Faber, now part of the international broker, Willis Corroon, owned the Wellington agency before divesting it under the terms of the 1982 Lloyd's Act.

Gorbachev meeting with Yeltsin raises hopes for coalition

By John Lloyd in Moscow

SOVIET President Mikhail Gorbachev yesterday met Mr Boris Yeltsin, the Russian leader, for the first time since Mr Yeltsin announced his intention to run for the presidency of Russia – and at the end of two weeks in which both men have been urged to discuss forming a coalition government.

The meeting came on the eve of what promises to be the most severe test Mr Gorbachev has yet faced from within his Communist party.

A plenum of the ruling Central Committee gathers in Moscow this afternoon angry and despondent over Mr Gorbachev's handling of the economy. This mood may prompt calls for his resignation from his party post as general secretary.

Yesterday's meeting at Novoye Ogarevo on the outskirts of Moscow, was held under the framework of the Federation Council and brought together leaders of the nine Soviet republics which are prepared to discuss a union treaty.

Mr Yeltsin has in the past routinely delegated attendance at meetings of the Federation Council to his senior deputy, Mr Ruslan Khasbulatov.

His attendance, and the location of the meeting on neutral territory away from the Kremlin, suggests that an effort will be made to rebuild a bridge between the two most powerful figures in the rapidly declining country.

An aide to the president said the subject of round-table talks as a prelude to a coalition government would be mooted between the two leaders – both of whom have in the past month professed themselves willing to make the compromises necessary for forming a coalition.

James Baker, US secretary of state, is to make an unscheduled visit to the Soviet Union to seek closer co-ordination in his efforts to revive the stalled Middle East peace process.

Washington is looking to Moscow to help it build momentum for the peace effort. A US plan envisages Soviet co-sponsorship of a regional peace conference as an opening to direct talks between Israel and the Arabs.

Page 16

Deputies in the Supreme Soviet yesterday endorsed the anti-crisis programme introduced on Monday by Mr Valentin Pavlov, the prime minister.

Their vote, by an overwhelming 323 to 13, followed a speech by Mr Pavlov in which he called for a "state of emergency" covering banks, tax collection transport and power supply, and revealed that a presidential decree had been prepared to index incomes to a basket of commodities.

However, most economists – including those working on the programme – believe it will fail unless agreement is reached between the main political forces, and crucially the leaderships of the republics, on its shape and implementation.

At the same time as Mr Pavlov prepares to act as the cutting edge of the government, the distance between Mr Gorbachev and the hardliners who have been his reluctant allies appeared to widen.

Mr Vitaly Ingnatenko, the presidential press spokesman, said that the call by the hardline Soyuz faction for a special congress of people's deputies to review Mr Gorbachev's performance was "untimely and hardly instrumental to progress" – and noted that the group was split over the issue.

Mr Nikolai Shishlin, a senior member of staff of the Central Committee, said: "I think that some radical, hardline elements will try to conmdemn the president and general secretary – but I believe that the majority of the plenum will be reasonable enough not to push him. They have in any case no right to push him out – he was elected by the party congress and can only be dismissed by it."

Mr Igor Lopatin, a leader of the Interfront movement which organises the disaffected, largely Russian minorities in the republics, told the Postfactum news agency that Mr Gorbachev was "pushing away the patriotically minded forces of the country" by keeping as his advisers such liberal figures as Mr Alexander Yakovlev, the former Politburo member and Mr Vadim Bakatin, the former interior minister.

Workers in Minsk, the capital of Belorussia, downed tools once more yesterday and demonstrated in the city centre after the breakdown of talks

Continued on Page 16

Chancellor Helmut Kohl (right) with Berlin's governing mayor, Eberhard Diepgen

Kohl calls for return of government to Berlin

By David Goodhart in Bonn

CHANCELLOR Helmut Kohl yesterday pledged his support for Berlin as Germany's future seat of government.

Mr Kohl said a move to Berlin, already the official capital, would need 10 to 15 years to complete and that Bonn should retain a number of important ministries, including defence.

The chancellor's surprise decision will certainly boost Berlin's chances of again becoming the seat of government. But Bonn, before his announcement, was thought to be favoured by a slim majority of Bundestag members and by most of the west German Länder (states).

It was decided yesterday that the Bundestag, the lower house of parliament, will conduct a free vote on the issue on June 20 with the Bundesrat, the upper house, voting the following day.

Mr Kohl, clearly trying to regain the political initiative after his party's damaging defeat in a state election on Sunday, said that a government in Berlin would be in a better position to help overcome the division between the two parts of Germany.

The announcement may help to boost Mr Kohl's flagging popularity in east Germany where many voters equate a pro-Berlin view with a vote of confidence in the east. The timing of his announcement was probably determined by the Sunday election in Rhineland-Palatinate. The state borders on Bonn, and Mr Kohl would not have wanted to make his views clear before the votes were cast.

Mr Theo Waigel, the finance minister and leader of the pro-Bonn, Bavarian-based, Christian Social Union, said he regretted the announcement and insisted that he had no money available to finance the move, costed at anything between DM5bn and DM100bn ($2.8bn – $56.4bn).

Continued on Page 16

East German land claim quashed by court, Page 3

Beazer unveils plan to float off UK companies, sell half shares

By Andrew Taylor, Construction Correspondent, in London

BEAZER, the heavily borrowed construction and building materials group, yesterday announced plans to float off its British businesses and then sell up to half the shares in the new company for as much as £250m ($423m).

Mr John Matthews, chief executive, said the plan would require the approval of shareholders, the stock exchange and the group's bankers.

Funds from the share issue would be used to reduce Beazer's large US borrowings – most of which were raised to finance the $1.7bn acquisition of Koppers cement and aggregates business in March 1988.

If the plan went ahead, the share sale would be likely to take place between June and September of this year, Mr Matthews said.

The new company, to be called Beazer Europe, would include all the group's UK housing, contracting and commercial property businesses.

It has not been decided whether to offer shares in the new company solely to existing shareholders or to make them available also to new investors.

The UK businesses, which have an estimated net asset value of about £400m, generated £72.7m out of total group operating profits of £189.8m in the 12 months ending June 30 1990.

On the stock market, Beazer's shares closed 4p higher at a new high for the year of 185p, after the announcement.

This gave the group a total stock market value of just under £500m, compared with an implied price tag under the flotation plans of about the same amount for the UK businesses alone.

Mr Matthews said the group believed its current share price substantially undervalued the group's businesses.

Shareholders would be likely to achieve better value by splitting the company, he said.

The proposals would leave the group owning a large US cement, concrete and aggregate business and maintaining a controlling interest in its former UK operations.

Beazer's last annual accounts, for the year to June 30 1990, showed net debts of £880.5m mostly in the US. This compared with shareholders' funds of about £1bn.

The group, which last month announced a 31 per cent fall in pre-tax profits to £43.2m during the six months to the end of December, has said that net debt should be reduced to about £750m by the end of June this year following a series of disposals and joint ventures in the US.

Beazer said that, at the last count, about 40 per cent of its shares were held by US investors.

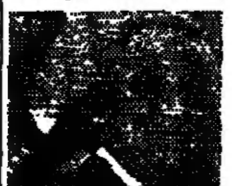
Analysts believe the proportion of US investors is now nearer half.

Mr Matthews said the group would have to think carefully about where it would be domiciled should it end up with its core assets and the majority of its shareholders in the US.

Lex, Page 16; Taylor Woodrow in £162m rights issue, Page 18

CONTENTS

Mayor gets blame as New York faces financial crunch



New York is feeling the financial squeeze worse than any other North American city. Mayor David Dinkins gets some of the blame for failing to take the tough decisions. He has sought to avoid confrontation

Page 6

MARKETS

STERLING
New York close
$1.6955 (1.6955)
London:
$1.7115 (1.6925)
DM2.9825 (2.99)
FFr10.055 (10.065)
SFr2.4975 (2.505)
Y236.0 (same)
£ index 91.7 (91.6)

GOLD
New York: Comex Jun
$358.9 (359.7)
London:
$355.7 (357.3)

N SEA OIL (Argus)
Brent Jun
$19.425 (19.625)

Chief price changes yesterday: Page 17

DOLLAR
New York close
DM1.7435 (1.762)
FFr5.877 (5.937)
SFr1.4525 (1.4705)
Y137.665 (139.43)
London:
DM1.742 (1.766)
FFr5.875 (5.9475)
SFr1.459 (1.4795)
Y137.9 (139.4)
$ index 66.5 (67.1)
Tokyo close: Y138.45

US closing rates
Fed Funds $5\frac{15}{16}$% (6)
3-mo Treasury Bills: yield: 5.859% (5.834)
Long Bond: $95\frac{15}{32}$ ($95\frac{5}{16}$)
yield: 8.268% (8.294)

STOCK INDICES
FT-SE 100:
2,503.8 (+13.0)
FT Ordinary:
1,965.8 (+11.4)
FT-A All-Share:
1,212.85 (+0.4%)
FT-A World Index:

New York close
DJ Ind. Av.
2,930.45 (+2.73)
S&P Comp
381.74 (+0.79)
Tokyo: Nikkei
26,491.0 (+254.56)

LONDON MONEY
3-month Interbank:
closing $11\frac{13}{16}$% (same)
Liffe long gilt future:
Jun $91\frac{7}{8}$ ($91\frac{3}{4}$)

Swedes expect recession to end next year

By Robert Taylor in Stockholm

THE Swedish recession, one of west Europe's worst, should end gradually next year under the influence of the government's anti-inflation strategy and an international upturn. This was forecast in yesterday's supplementary budget.

The government's medium-term outlook suggests Sweden will move into line with average western European economic performance by the mid-1990s. Mr Allan Larsson, finance minister, told employers yesterday the economy had already begun to recover

In his budget statement, he said inflation, now running at 9.6 per cent annually, would ease considerably this year; he projected 3 per cent for 1992.

There would be a negative growth rate this year of -0.2 per cent but the following year should see the economy grow by 1 per cent, with annual growth of more than 2 per cent thereafter until 1995.

The government takes an optimistic view of what will happen to pay increases, expecting a marked fall to 5 per cent this year, after an average 10.3 per cent in 1990, and just over 3 per cent in 1992 as a result of a two-year national agreement now accepted by all public sector workers and 55 per cent of private sector manual workers.

Mr Larsson said the government would have to act if those opposing restraint secured higher pay than the rest because it would lead to the collapse of the whole pay stabilisation deal and wreck the government's strategy.

He said there would be a SKr18.5bn (£1.75bn) budget deficit this year, although the percentage of public spending as a proportion of gross domestic product was down to 62 per cent compared with 67 per cent 10 years ago.

The government is aiming to cut its own budget by SKr2bn or 10 per cent over the next three years; public sector consumption is set to rise at an annual rate of 0.4 per cent.

Registered unemployment will increase, but the government expects the rate to stay under 3 per cent. Independent forecasters believe it will climb to 4-5 per cent by the end of next year.

French minister heads into education minefield

Everyone agrees the system needs reforming, but no one agrees how, writes **Ian Davidson** in Paris

WHEN Mr Michel Rocard's government was appointed three years ago, it made modernisation of the education system its top domestic priority. Mr Lionel Jospin, a leading light in the Socialist party, was give the job of education minister, and the number two spot in the cabinet, to symbolise this priority.

Most people greeted the government's declaration of commitment with a mixture of respect and scepticism. For while everybody agrees that French education needs reforming, everybody also knows that education is a daunting political minefield; recent French history is littered with education ministers who attempted to tamper with the entrenched traditions of the education system, and who paid dearly for their temerity.

It now begins to look, however, as if Mr Jospin really does intend to try to reform the hydra-headed monster. He has just tabled proposals which go to the heart of the system, because they are aimed at humanising the gruelling baccalauréat school-leaving examination.

These reforms are designed to simplify the syllabuses of the different baccalauréats, to shorten and above all to alleviate the school working week, and to modernise teaching methods.

Whether the package will make any headway is still uncertain: the main parents' association has voiced its approval, but the main secondary school teachers' union has condemned it outright.

The complaint most frequently levelled against the traditional baccalauréat is that it is an elitist, intellectual examination, ill-adapted for mass education.

Twenty years ago, 40 per cent of 17-year-olds were still at school; today the figure is over 70 per cent. Twenty years ago, 25 per cent of the school-leaving generation were aiming for the "bac"; today the figure is 55 per cent; by the end of the century the government aims to raise the proportion to 80 per cent.

> It looks as if Mr Jospin really does intend to try to reform the hydra-headed monster. He has just tabled proposals which go to the heart of the system, because they are aimed at humanising the gruelling baccalauréat school-leaving examination.

The traditional baccalauréat continues to be the yardstick of attainment and the principal door for future advancement, and it continues to be the main target for a growing number of French school students.

And yet the expansion in numbers has left it largely unchanged either in content or in method: it remains a traditional intellectual examination, taught with traditional class-room methods, and in theory (but only in theory) it is taught by traditional French intellectuals.

France is now probably the only country where philosophy is still one of the obligatory subjects in the main school-leaving examination.

The most revolutionary element in the Jospin package is the proposal that the *lycées* should set aside three hours a week for informal "modules", small class-groups devoted either to catch-up work for slow students, or to the acquisition of learning and research techniques for the fast.

This is an iconoclastic innovation because, while the work carried on in these modules would be part of the core curriculum, it would not be marked.

Two of the most notorious weaknesses of the French education system are that it has the shortest school year in Europe, but the longest school week. For some technical baccalauréats the school week now lasts 40 hours, plus several hours' homework every night. Mr Jospin is now proposing a maximum of 35 hours.

The third component of the Jospin reforms is a simplification of the baccalauréat syllabuses, so as to get away from the current scourge of hyper-specialisation.

At present there are eight different subject groups for the general baccalauréat, and 17 for the technological bac; both would be simplified into three broad streams. In the general bac, the choice would be letters, social science, and science, though the curriculum would continue to include subjects outside the main specialisation.

The main stumbling block for all previous reform efforts has been the resistance of the many teaching unions, and this one is not likely to be an exception.

Mr Jospin has carefully kept away from any detailed proposals on the content of the baccalauréats; this is the most treacherous ground because it affects the vested interests of teachers of philosophy, geography, maths, etc. But if Mr Jospin's modest reform is to be implemented, it may require a revolution in the attitudes and methods of France's teachers.

If Mr Lionel Jospin has his way, these young French children may find their path through education both easier and less narrowly specialised

Cheap loans row taxes Spanish Socialists

By Peter Bruce in Madrid

A YEAR-LONG low key guerrilla war by Spain's governing Socialist party against the conservative finance minister, Mr Carlos Solchaga, is escalating sharply over the latter's dismissal of a party proposal to use Spanish banks to finance cheap mortgages for 400,000 people in the next four years.

The Socialist party, which faces testing municipal elections on May 26, plans to use low home financing as its main election plank.

However, when it was first mooted last week that Spanish banks might be forced to set aside funds to enable home-buyers to take mortgages at 8 per cent, Mr Solchaga, with Prime Minister Felipe Gonzalez' tacit support, rapidly and pronounced it unworkable.

The banks, he said, could not be asked to make unprofitable loans. Normal mortgages cost more than 18 per cent in Spain.

Party officials immediately hit back accusing the finance minister of trying to hijack its election programme.

Two days later Mr Gonzalez steered a cabinet meeting into announcing that finding cheap homes for people was a good idea but that some other way would have to be found to do it. What he meant was that taxpayers would have to come up with the money.

On Monday, for some reason, Mr Solchaga repeated, on radio, his view that the party's original plan was quite unworkable.

The party immediately accused him of being blinded "by his own fuzzy vision". He promptly retorted that "if they are going to accuse me of fuzzy vision they should accuse (Mr Gonzalez) the same way".

Mr Gonzalez is trying hard not to take sides, though he probably agrees with his finance minister.

Mr Solchaga's toxic relations with party administrators go back more than a year, when he began to criticise openly the control over the party held by Mr Alfonso Guerra, the left-wing former deputy prime minister. Mr Guerra left the government in January in the wake of a family financial scandal, but he has remained deputy party leader.

Mr Gonzalez has tried to declare his government's independence from the party but it is clear he cannot totally divorce himself from grass-roots or even bureaucratic party opinion.

At the moment, the row may actually be working to the Socialists' benefit, as cheap housing has become the dominant issue in the local elections. But the constant sniping between finance minister and party is beginning to irritate the prime minister seriously.

Dutch bank chief takes government to task

By Ronald Van De Krol in Amsterdam

THE HEAD of the Dutch central bank, Mr Wim Duisenberg, yesterday called for wage restraint in industry and for greater financial discipline by the country's centre-left government.

Real labour costs, relatively stable throughout the 1980s, threatened to rise by up to 2.5 per cent a year between now and 1994, causing a severe slowdown in the number of new jobs and pushing up inflation, he said.

The rise in wages also had a direct impact on state finances because of the government's promise in 1989 to raise social-security benefits in line with private sector salary increases.

Mr Duisenberg, presenting the bank's 1990 annual report, said the government had to do more to control its budget deficit without resorting to large increases in the burden of taxation and social security contributions.

However, he "feared the worst" because the financing deficit so far this year had already exceeded government targets, complicating efforts to cut the deficit to 3.25 per cent of national income by 1994.

"The targets for 1994 will never be realised if we do not manage to extract ourselves from the quicksand of 1991," he said.

World Bank 'pledge' on Albanian entry

The World Bank has told Albania it will speed approval of the country's membership application and grant it much-needed aid, Reuter reports from Vienna quoting Albania's official news agency. It said the pledge was given in Tirana on Monday by a World Bank delegation led by Mr Adil Kanan, its executive director.

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هكذا من الأصل

EUROPEAN NEWS

Electricity workers switch off Ireland

THE Irish government says there is a "tremendous urgency" to settle a strike by electricity workers which has caused power cuts throughout the country. Much of Ireland was without electricity yesterday, writes Kieran Cooke.

Hospitals had to use generators, factories closed and many motorists were stranded, with petrol stations unable to pump fuel. More than 1,000 electricians at the state run power company are striking for more pay and in protest about a company reorganisation.

EC inflation at 17-month low

Annual inflation in the European Community fell to 5.2 per cent in March, its lowest for 17 months, after consumer prices rose only 0.2 per cent in the month, Eurostat said yesterday, Reuter reports from Luxembourg. It followed a 0.4 per cent rise in February, and included actual falls in prices in Germany (-0.1 per cent) and Belgium (-0.4 per cent).

The time it takes to earn a crust

Bakers in Burundi and Burma have to toil by their ovens for more than one hour to buy one loaf of bread, while Dutch hotel receptionists and Italian plumbers earn enough in the same time for 10 loaves, according to a survey by the International Labour Organisation, AP reports from Geneva.

A summary of results showed butchers in Yugoslavia have to put in five hours work for 1kg of beef or fish. But one hour's work for their counterparts in Denmark would pay for 2kg of beef and in Cuba for 3kg of fish. The survey compared data on earnings and hours of work for 159 occupations with retail prices on 93 food items.

Fewer Frenchmen go to the wall

The number of corporate bankruptcies, liquidations and legal settlements in France fell 4.5 per cent in February to 3,394, from 3,246 in the same month last year, according to seasonally adjusted statistics from the national statistics institute, AP-DJ reports.

Soviet-German talks on captured art

The Soviet Union and Germany have agreed to discuss the exchange of billions of dollars worth of works of art they seized from each other in the war, Reuter reports from New York quoting the magazine ARTnews.

Poland committed to tight controls on money supply

By Christopher Bobinski in Warsaw

THE Polish government has committed itself to maintaining tight controls on money supply this year in return for credits of $1.6bn over three years, according to a letter of intent to the International Monetary Fund.

The letter – accepted last week by the IMF's Board of Management – shows that Poles can expect an additional $325m loan to cover the increased costs of oil imports this year.

A quarter of the $1.6bn IMF loan is to be used cover the costs of a debt reduction agreement Poland is seeking with 400 or so western banks, to which it owes $11bn.

The upper limit on Poland's new foreign borrowing this year is set at $1.5bn and – despite an expected fall in the rate of growth of exports and higher import costs – foreign currency reserves are to grow by $700m.

The letter also promises to keep Poland's present dollar/zloty exchange rate, fixed at the beginning of January 1 1990 in place, "as one of the main points of" the government's anti inflation strategy.

Domestic money supply is to grow in nominal terms by 43 per cent this year against a 36 per cent forecast inflation rate. Wages in state owned industries are to be permitted to rise by no more than 60 per cent of the increase in prices. Should the inflation rate increase more than expected then these controls will be tightened.

The budget deficit is to be no higher than Zl 6,000bn or 0.5 per cent of GDP, while the supply of credit to the rest of the economy is to grow in real terms by 19 per cent.

● Poland's stock exchange saw trading in shares from the Krosno glass works suspended yesterday when the number of sellers exceeded buyers.

Under the rules such a suspension sees the fixing of a price 10 per cent below last week's to await the next session in seven days' time.

The company is suffering from a fall in domestic demand and increases in Soviet energy costs. Mr Wieslaw Rozlucki, the chairman of the exchange explained that the number of sell and buy offers was still relatively small which made shares prices vulnerable.

Greenpeace activists took over the top of the Brandenburg Gate in Berlin yesterday. They hoisted banners proclaiming: "Energy for the east – without electricity by nuclear power."

E German land claim quashed by court

By David Goodhart in Bonn

THE Soviet land reform in east Germany between 1945 and 1949, involving the expropriation and redistribution of nearly one-third of the former communist state's land, cannot be reversed, according to the German constitutional court in Karlsruhe.

The Bonn government, under pressure from Moscow and from the short-lived democratic government in east Berlin, had already accepted the Soviet land reform in last year's unity treaty, but 14 individuals lodged formal complaints that such acceptance was unconstitutional.

Yesterday's ruling, that the Bonn government was justified in accepting the land reform, affects 3m hectares of land. The court advised that the government should pay compensation to the former owners.

Ministers in Bonn welcomed the decision and said that it removed an uncertainty that had held up new investment in many rural areas. Property expropriated by the Nazis between 1933 and 1945 or by the East German government after 1949 is, with some qualifications, still being returned to former owners.

The uncertainty created by this slow and difficult process is still regarded as one of the biggest obstacles to new investment in east Germany.

● In the second half of 1990 east Germany had a GNP of DM105.3bn (£35.2bn) about 8.3 per cent of west Germany's GNP over the same period, the Federal Statistics Office in Wiesbaden said. Average gross monthly income in east Germany was DM1,357, 37 per cent of the west German level.

France ordered to justify state aid

By David Gardner in Brussels

THE European Commission has told the French government to furnish detailed proof that it is not using the flagships of its public sector to funnel illegal state aid to smaller companies in industrially declining regions.

This latest row over state aid between Brussels and Paris comes shortly after the Commission announced it would examine French plans to provide over $1bn in fresh capital to two big state-owned companies, Bull, the computer manufacturer, and Thomson, the defence and electronics group.

Thomson is one of six state-owned companies named in the Commission's letter, along with Electricité de France, Elf Aquitaine, Pechiney, Rhone Poulenc, and Enterprise Minière et Chimique.

The Commission has given Paris two months to provide details of the funding which would enable it to compare it with the activities of three private groups, BSN, CGE and Saint-Gobain, which France maintains behave identically. "As major local employers [they are] merely assuming responsibility for the survival of part of the economic fabric," the French authorities wrote to the Commission last April.

Brussels says the subsidised loans, provision of services, and, in some cases, acquisition of holdings by the six state companies may constitute a distortion of competition.

It has reminded the French government that if this proves to be the case, it will have to recover the aid. Last year the Commission made Renault, the state-controlled car manufacturer, repay more than $1bn in assistance which Brussels judged illegal.

German railway chief seeks to cast off red tape

THE German constitution must be changed to allow the Bundesbahn, the federal railway system, to behave more like a business and free it from civil service red tape, according to Mr Heinz Dürr, the former head of AEG who took charge of the Bundesbahn last year, writes David Goodhart.

He said the Bundesbahn, its DM47bn (£15.7bn) debt mountain higher than annual turnover and with a deficit last year alone of DM5bn, was bankrupt in the normal commercial sense. On current projections the debts of the Bundesbahn plus the east German railways could top DM400bn by 2000.

He said: "I want to change the Bundesbahn into a business which makes profits."

Premier of Iceland resigns after inconclusive election

THE prime minister of Iceland, Mr Steingrimur Hermannsson resigned yesterday after the island's 180,000 voters swung towards a right-wing opposition party in an inconclusive election last weekend, Reuter reports from Reykjavik.

"I have resigned and the president has asked me to form a caretaker government," Mr Hermannsson said after meeting President Vigdis Finnbogadottir.

His move clears the way for talks between all parties on possible coalitions.

In the election, the opposition Independence party, which wants closer ties to the European Community (EC), won 26 of 63 seats in parliament, up from 18 at the last vote in 1987.

The three parties in Mr Hermannsson's centre-left coalition won 32 seats, the minimum for a majority in the Althing, the world's oldest parliament founded in AD 930.

Main election issues were the EC and worries over the economy, which depends on fisheries. Mr Hermannsson wants the coalition, formed in 1988, to stay together for a new term, partly because the economy is picking up after a recession in the late 1980s.

But he was forced to resign, since the Social Democratic party, the most pro-EC party in the coalition, refused to give him automatic backing. His own Progressive party has 13 seats, unchanged from 1987.

Mr David Oddsson, 43, leader of the Independence party and major of Reykjavik, said he wanted talks on forming a government with the Social Democratic party, led by the foreign minister, Mr Jon Baldvin Hannibalsson. Mr Hannibalsson has said it could be several weeks before a government is formed.

Iceland is a a member of the European Free Trade Association (Efta) and wants to take part in a planned EC-Efta free trade arrangement from the end of 1992.

None of Iceland's parties wants to join the EC at present.

Eastern banks back Ecu trade system

By Peter Marsh, Economics Staff

THE central banks of the Soviet Union, Czechoslovakia, Poland and Hungary yesterday pledged support for a new banking payments system for trade among east European nations.

The system would use as a common currency the Ecu, the basket of the main west European currencies. It has been proposed by the Ecu Banking Association, a group of west European banks, and would be based on an existing Ecu bank-payments operation in Switzerland.

Officials from the central banks of the four countries were at a meeting in Turin to discuss the concept. Three west European banks – Deutsche Bank of Germany, Crédit Lyonnais of France and San Paolo Bank of Italy – have said they will help the initiative.

The east European nations are to discuss the system further over the next few months. Assuming details such as legal and technical issues and problems over lines of credit can be sorted out, the venture is likely to be controlled by a group of banks from eastern Europe.

Slovak premier forced to quit

MR Vladimir Meciar, prime minister of the Slovak Republic, was ousted by parliament yesterday and replaced by Mr Jan Carnogursky, his deputy and chief rival, writes Leslie Colitt in Prague.

Slovakia faced the prospect of intensified political conflict after Mr Meciar threatened to march on the government in Bratislava. Nearly 1,000 of his supporters gathered outside parliament last night demanding his reinstatement.

The presidium of parliament also forced out of government all but one of the members of Mr Meciar's Public Against Violence (PAV) movement which formed a coalition with Mr Carnogursky's Christian Democrats. Several had supported Mr Meciar's new breakaway nationalist group, PAV-Platform for a Democratic Slovakia. He won more than 80 per cent support in recent opinion polls in Slovakia.

Mr Meciar opposed Prague's free market economic reforms because the Slovak economy stands to lose most jobs.

Mr Carnogursky has been ambivalent about Slovak independence. He favours a treaty with Prague on continuing the federation. President Vaclav Havel rejects this.

Bulgarian PM promises a law on privatisation and property

By Judy Dempsey in Sofia

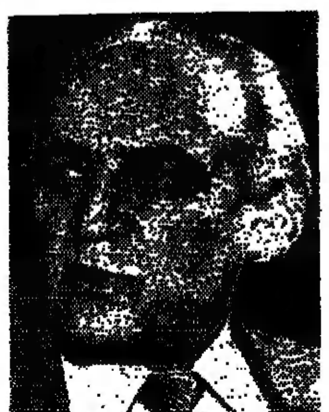
BULGARIA will have a law on privatisation and property rights in place by the autumn as part of the coalition government's timetable for implementing a second package of reforms aimed at creating a market economy, Mr Dimiter Popov, the prime minister, said yesterday.

The measures, which are expected to allow Bulgarians to own and buy property, are also designed to open up the country to foreign investment. Little in the way of foreign investment has flowed into Bulgaria in recent months, largely because the current legislation is either too vague on taxes, or too restrictive on the repatriation of profits.

Moreover, investors have shied away from Bulgaria because until recently the country was too unstable; western commercial bank creditors have not yet agreed to reschedule the $8.5bn (£5bn) debt owed to the London Club.

However, Mr Popov, who was elected prime minister last December following the resignation of the socialist government, stressed Bulgaria's new stability. "It is definitely stable. The parliament is working hard to draft and pass new legislation. The political climate is much better," he said.

Since January, when a coalition government consisting of the Union of Democratic Forces (UDF), a loose grouping of 19 political groupings, and the Bulgarian Socialist Party (BSP), was set up, Bulgaria has embarked on a tight monetary policy.



Popov: will purge officials who abused power

In February, prices were increased four-fold, a squeeze on credit and consumer spending has been successfully implemented, and the first phase of land reform – the return of a maximum of 30 hectares to its original owners before 1946 – has been passed.

At the same time, industrial production has plummeted by 20 per cent because of the collapse of the Soviet market and a moratorium on western credits.

But the success of these reforms has been overshadowed by bitter infighting between the UDF and the BSP about who should control the political and economic agenda.

Mr Popov, 63, politically independent, and a lawyer by profession, denies that purges in the administration have taken place. "We will not start any revenge. No such thing has taken place in Bulgaria. Those with talent will be promoted, irrespective of their political background. But we will not accept those who abused their position in the former regime."

The former regime, led by Mr Todor Zhivkov, who is now standing trial for corruption charges, was toppled from power in a bloodless palace coup in November, 1989. The BSP (former communist party) won a comfortable majority in last June's free elections.

However, BSP sympathisers and UDF officials admit that the UDF leadership remains determined to purge former communists. Mr Popov says his aim to to create "a new civil service based on competence and competition."

De Klerk urges 'launching pad' role for UK

By Michael Holman, Africa Editor

PRESIDENT F W de Klerk yesterday offered South Africa's opposition parties "a voice" in decision-making during the transition to a new constitution and urged British businessman to help South Africa become an economic "launching pad" for the region.

In two keynote speeches Mr de Klerk vigorously proclaimed the emergence of a "new South Africa", called for an end to economic sanctions, painted a vision of a prosperous post-apartheid southern Africa, and defended his efforts to end political violence in the country.

Mr de Klerk made clear in a speech at the Royal Institute for International Affairs that the ruling National Party envisaged an important post-apartheid role for itself. "My government is committed to the sharing of power," he said, but added: "and wholly opposed to surrendering it unconditionally."

Earlier in the day he also firmly rejected the African National Congress's call for an interim government. He went part of the way towards meeting their demand, however, when he said: "We are prepared to consider certain transitional arrangements at both the legislative and the executive levels in order to give the leaders of the various negotiating parties a voice in the formulation of important policy decisions."

At a press conference at the start of the day, Mr de Klerk argued that political reform had to be be underpinned by a vibrant economy that would in part depend on the lifting of sanctions and new investment capital from abroad.

"We are now positioned for...an economic take-off provided that the necessary investment is made and the necessary industrialisation takes place," he said.

"We don't ask for handouts, we don't ask for donations," he continued: "We ask that all impediments be removed and then we have no doubt that we will get the flow of private sector investment because of the opportunities that our economy...offers to them."

Tony Andrews

President F W De Klerk at a press conference at his London hotel yesterday

Mr de Klerk's economic message was taken up again later in the day during an address to the Institute of Directors. After calling for a restoration of sporting links with Britain, he spoke of the potential of southern Africa.

He warned that "economic growth and constitutional reform must be mutually reinforcing" saying that "unless the pressing problems of poverty and unemployed are addressed, elegant constitutional models will be of little avail."

Mr de Klerk met for the first time Mr Neil Kinnock, the Labour Party leader, who afterwards said it was still too soon to lift sanctions.

China welcomes plans for private sector HK airport

By John Elliott in Hong Kong

CHINA has stepped up its war of nerves with Hong Kong over the government's plans for a HK$100bn (£7.58bn) airport by welcoming outline proposals from a leading local construction entrepreneur for an alternative HK$60bn private sector-based project.

This has emerged at a time when some international construction companies are beginning to reassess their interest in tendering for the government project because contracts are stalled by the row with China which is refusing to give approval until it gains partial control over the project.

Mr Gordon Wu, founder-chairman of Hong Kong-based Hopewell Holdings, met Lu Ping, Peking's senior official with direct responsibility for Hong Kong in Peking during the past two days.

Hopewell officials reported that Mr Wu's ideas had been "fully supported" by the officials who said they wanted to see the project "fully in the private sector" and would help with air traffic rights.

Although there is no suggestion of any immediate contract negotiations, the move is significant because Mr Wu gained support from a number of leading Hong Kong property developers and other businessmen during a series of private conversations before he went to Peking on Sunday.

It is unlikely that the Hong Kong government would be prepared to switch to Mr Wu's plans and hand over control to the private sector. It would also resist giving government land to the developers.

It is believed that Mr Wu's talks covered the possibility of the businessmen starting construction in 1997, immediately after Hong Kong returns to Chinese sovereignty.

Two key preliminary contracts, each worth about HK$1bn-HK$1.5bn, which should have been awarded this month, have not yet been signed.

One is expected to go to Kumagai Gumi (Hong Kong) for reclamation work in the Kowloon area connected with approach roads, and another is slated for Shui On Construction, a local contractor, to move a nearby typhoon shelter and reclaim land at Yau Ma Tei.

Wimpey Construction of the UK has decided not to go ahead at this stage with an application next month to be pre-qualified for one of the largest contracts worth an estimated HK$6bn-8bn to reclaim land and build the main airport platform.

Other international contractors are expected to review their interest in tendering for this and other Hong Kong projects because of the growing air of political uncertainty.

Managers shun passport offer

By Angus Foster in Hong Kong

BRITAIN'S offer of up to 50,000 passports to key Hong Kong people has been poorly received by managers and administrators, the individuals the package was designed to attract.

Just fewer than 15,000 passports have been allocated for managers and administrators, the largest job category in the package. The quota has been under-subscribed by about 10 per cent, according to Mr Donald Tsang, director of administration.

The package was introduced last year under the British Nationality Act. It was one of a series of measures designed to restore confidence in Hong Kong, severely shocked by the crackdown against pro-democracy demonstrators in Peking in June 1989.

All the other job categories have been over-subscribed, some heavily. The government received 1,000 applications from legal professionals by the time the offer closed at the end of February against a quota for this category of only 185.

Mr Tsang said the response by private sector managers and administrators was not surprising because they were the only people who had to disclose details about income.

Almost 400 passports were set aside within the managers and administrators category for civil servants. Competition for these passports was fierce, according to Mr Tsang.

The government received just over 63,800 applications for the first tranche of 38,900 passports on offer for people in the general occupations and disciplined services. A further 1,800 people, including entrepreneurs and sensitive service personnel, have been invited to apply by the Governor.

The response was much poorer than expected. China's opposition to the scheme, a feeling in Hong Kong the scheme was elitist and a dislike of the UK were all blamed for the low level of interest.

"I only want a British passport so I can go and live in Paris after 1992," says a 28-year-old Hong Kong Chinese journalist who did apply.

Mr Tsang said any passports left over from the managers and administrators category can be carried forward and given out in the second tranche when a further 6,750 passports are on offer. Applications for the second tranche will run from 1994 to June 1997, when Hong Kong is handed back to China.

Asia faces credit shortage, says ABD

ASIA'S dynamic economies face a shortage of international credit in 1991 because of the huge demands of eastern Europe and the Gulf for capital, the Asian Development Bank (ADB) said yesterday, Reuter reports from Manila.

The bank in its Outlook report prepared for the start today of its annual meeting in Vancouver, said the expected shift in financial resources would create competition with developing countries and could drain funds from Asia. "The competition for funds will increase, as will their cost," the report said.

The rebuilding of Kuwait and Iraq would put further strain on the world financial system.

It expects that only "choice" borrowers might find access to external finance.

According to Mr Jacques Attali, the head of the new European Bank for Reconstruction and Development (EBRD), eastern Europe could get up to $123bn (£73bn) in aid from western development agencies and private companies over the next decade.

In a foreword to the Outlook, Mr Kimimasa Tarumizu, the ADB president, said: "Confidence in the Asia-Pacific region remains strong as the economic base has become diversified.

"Domestic markets have become more important, trade linkages within the region have strengthened and economic restructuring, benefitting from high investment ratios, continues," he said.

The report by the 51-member ADB, which has lent $32.5bn to developing countries in Asia since it was launched in 1966, said Asia's four tigers had become major investors in export-oriented, labour-intensive manufacturing in south-east Asian countries.

It said the four – South Korea, Taiwan, Singapore and Hong Kong – had started to complement the investment of Japan in the area, so that Asian countries now accounted for 60 per cent of all investment in south-east Asia.

Afghan 'Scud' death toll put at 350

About 350 bodies have been recovered from the rubble of the north-eastern Afghan town of Asadabad after a Scud missile attack by the government at the weekend, Afghan rebels said yesterday, Reuter reports from Islamabad.

The Soviet-backed Kabul government blamed the incident on an attack by one rebel group on another's arsenal.

"We do not have any evidence yet that it was a missile attack at all," a western diplomat said in Islamabad. "It is an open question whether there was first an explosion that set off fuel stores and ammunition. May be it was a car bomb."

Japan's car culture feels green pressure

By Robert Thomson in Tokyo

JAPAN'S Environment Agency has challenged the country's powerful automotive lobby by calling on citizens to review their use of cars and to place greater reliance on sea and rail transport for domestic freight haulage.

The targeting of trucks and cars as a growing source of Japan's air pollution problems is a particular embarrassment for the car industry, which has recently embraced environmental themes in domestic advertising campaigns.

The Japanese cabinet yesterday approved a white paper from the agency, which argued for increased use of electric and methanol cars, and concluded that carbon dioxide and nitrogen oxide problems will not improve unless there is less reliance on cars.

Japan's car makers have been leaders in improving fuel efficiency and reducing emission levels, but the Environment Agency suggested that a more fundamental change needs to be made to the country's car culture.

Mr Toshiro Kojima, the agency's director of planning, said said the tax structure should be revised to encourage companies and individuals to turn to more environmentally friendly forms of transport.

He said that the increased use of diesel trucks had contributed to pollution problems, and haulage companies would be reluctant to trade-in their diesel vehicles while that fuel remains about 30 per cent cheaper than petrol.

"Many trucking companies are small or medium in size, and owners don't want to discard their present trucks. We have to provide some tax incentives to change this situation," Mr Kojima said.

The proposals must be approved by the more influential Ministry of International Trade and Industry and Transport Ministry before legislation can be drafted. The latter has made clear it will oppose changes that put haulage companies at any disadvantage

Jobless may spur exodus from Israel

By Hugh Carnegy in Jerusalem

ISRAEL'S central bank yesterday warned that the country could face unprecedented emigration and unemployment approaching 20 per cent of the workforce if the government did not quickly enact economic reforms to cope with a wave of immigration by Soviet Jews.

Prof Michael Bruno, governor of the Bank of Israel, also linked the issue to present efforts by the US to mediate a Middle East peace settlement. He said Israel risked losing vital US assistance for raising the huge funds the country will require to finance immigration if the peace process failed.

"US readiness to help finance (immigrant absorption) has a significant importance to our ability to raise money in the international financial marketplace and a greater expert than myself would tell you what the conditions are under which the US will be ready to invest here," said Prof Bruno, who is due to leave his post shortly.

A 60-page bank plan for absorption of Soviet immigrants, expected to total more than 400,000 by the end of this year, called for a series of radical reforms as well as short-term measures to boost employment and improve infrastructure. It said that as many as 200,000 immigrants and additional native Israelis might leave the country, and unemployment could almost double within two years if such steps were not taken.

It called for cuts in taxation on business and employment, the scrapping of labour market rigidities, greater capital market freedoms, and a more liberal foreign trade regime. Mr Bruno complained that a government plan last September to enact a number of these prescriptions had never been carried out.

"Non-implementation of the policies would prevent the possibility of fully enjoying the fruits of the immigration. The pace of productive growth would be too slow, unemployment would grow to dangerous dimensions, followed by growing emigration," the bank's plan said.

Kashmir guerrillas flourish under iron fist

India's brutal methods have helped a small insurgency spread, David Housego writes

THE handful of armed separatists Indian security forces faced in Kashmir three years ago have grown into groups of militants with a total strength running into thousands and spread across the region.

They are now better armed, self-consciously revelling in the Kalashnikovs, rocket-launchers, revolvers, hand-grenades and automatic weapons captured from Indian troops. Many are being trained in Pakistan and Afghanistan.

In Srinagar, the militants appear to have established "no-go" areas in parts of the city that are surrounded by Indian paramilitary forces, but into which the Indians dare not go except in strength.

The most important factor boosting the militants' cause has been the harsh, repressive measures used by Indian forces. Mr Girish Saxena, the governor of the state, concedes the damage atrocities have done. "In our efforts to keep down the level of alienation and increase confidence," he says, "any excess sets us back."

Though security forces are showing more restraint in Srinagar and some other towns, the governor's orders seem largely ignored in search operations carried out in villages. India's paramilitary forces in the state are overstretched, ill-disciplined and increasingly hardened to the use of brutality.

As with most insurgency movements that have spread rapidly, the expansion of the revolution has created its own disorders. There has been a mushrooming of guerrilla factions – somewhat reminiscent of Lebanon – competing and quarrelling among themselves. What is clear is that the best armed and trained are the fundamentalist groups like the Hezb-e-Mujahideen, which backs the Pakistani claim to the valley . Militant groups impose their own system of "taxation", levying contributions at gunpoint from traders and businessmen.

They intimidate officials to ensure that taxes, telephone and electricity bills remain unpaid. Increasingly they determine what new appointments are made and how funds (made available from New Delhi) are spent.

They have destroyed whatever hopes there were of reviving tourism this year by kidnapping two Swedes.

Other pillars of the economy – handicrafts and the marketing of fresh fruit – have also been crippled. Wealthier Kashmiri Moslems are leaving the valley, announcing their departures as temporary.

The governor, and some of his officials, see encouraging signs in growing public weariness of the tension and disruption. In Srinagar there has been a strong popular reaction against the recent wave of kidnappings. A large crowd turned out recently for the funeral of a senior police official shot in Srinagar. More people are seeking the administration's help in face of the difficulties of daily life.

Intelligence reports apparently indicate that some of the militant groups are ready to respond to Prime Minister Chandra Shekhar's offer of talks. Individual militants are said to be fed up with a struggle that they – no more than the Indian forces – can win militarily, and which will probably lead to their own death.

"People now believe – and this goes for 90 per cent of the population – that this course of armed violence cannot achieve any objective. It is bound to fail," says Mr Saxena.

In these circumstances he adds: "The (government's) objective is to give a chance to anyone who is prepared to join the mainstream and take part in the political process."

But hopes of meaningful talks with the militants that could bring about a political solution still seem to be wishful thinking. There is no government in New Delhi with the authority to make concessions. The main political parties are deeply divided over how much autonomy India is willing to grant to a Moslem-dominated area on Pakistan's borders.

There are equally deep divisions between the military and the civilian leadership in Kashmire over the balance to be struck between the use of the carrot and the stick. Mr Saxena, who became governor a year ago, clearly favours more carrot. But the ill-trained and often ill-educated paramilitary forces on which he depends are more familiar with the more blunt methods of torture and brutality. That way the insurgency continues to spread.

India sees GDP falling to 4%

By R.C. Murthy in Bombay

GROWTH in India's gross domestic product is projected to slow down this year to less than 4 per cent for the first time in six years.

The Reserve Bank of India expects GDP to rise this year by "not more than 4 per cent", against 4.5 per cent in the previous two years, reflecting uncertainties that grip the economy. Mr S. Venkitaramanan, the bank governor, said yesterday that the difficult balance of payments situation, and the consequent disruption in the flow of imported inputs, will slow industrial growth, although agriculture is expected to maintain its growth rate.

Cash deposits for opening letters of credit for certain categories of imports are now fixed at a stiff 200 per cent, up by half, to ease pressure on foreign exchange reserves. The World Bank has convened a meeting of donor countries in Washington on May 1 to provide emergency aid to India.

Iraqis defy US order to leave border town

West to build up military forces in northern Iraq

By Our Foreign Staff

AN INCREASING number of western governments prepared yesterday to reinforce their military presence in Iraq, Turkey and Iran as part of the international effort to save the lives of Kurdish refugees.

Iraq, meanwhile, formally asked the United Nations to take control of the "safe havens" being established by US forces in northern Iraq.

Britain is to send the 29 Commando Regiment of the Royal Artillery to the Turkey-Iraq border to join other elements of 3 Commando Brigade, defence sources say. They will take 105mm guns which can be slung under a Chinook helicopter.

US defence officials confirmed that the US had sent a naval battle group, including the aircraft carrier Theodore Roosevelt, from the Red Sea to the Mediterranean as a warning to Iraq not to interfere with the refugee operation.

In Paris yesterday, Mr Tom King, the British defence secretary, agreed with Mr Pierre Joxe, his French counterpart to instruct their military staff to look into the possibility of extending refugee operations further east towards the border with Iran.

Iraqi forces have remained in the northern Iraqi town of Zakho, defying US orders to move away and increasing tension in the area around the sites of the proposed refugee camps.

"Intimidation levels are really growing," US Marine Staff Sergeant Lee Tibbetts told reporters at Silopi on the Turkish side of the border. "It's a very, very tricky situation. I'm telling you, it's getting wild over there."

It is estimated that hundreds of refugees are still dying each day in the mountains despite the increased flow of international aid, and US officials are hoping to start moving people back to their homes or to the camps in Iraq in the next few days.

Several armies have started to contribute to the relief effort. French paratroopers have set up an outpost near Zakho; Chancellor Helmut Kohl of Germany said yesterday that German troops would build a refugee camp in northern Iran; Spain is expected to send 500 soldiers to the area within a week, and Norway is considering a US request to send troops; Canadian, Belgian, Dutch and Italian troops are also involved.

The Iraqi government, while criticising the US-led relief effort in Iraq as an infringement of the country's sovereignty, has not so far intervened militarily and continues to negotiate with Kurdish opposition leaders and to talk of political reforms.

Yesterday the Iraqi news agency reported that the ruling Revolutionary Command Council had decreed that the cabinet would take on constitutional powers previously reserved for President Saddam Hussein.

The decision by Kurdish organisations to begin negotiations with Mr Saddam's regime has been sharply criticised by other opposition groups which say he cannot be trusted.

In the south, Shia Moslems – whose uprising in early March was crushed by government forces – continue to announce guerrilla attacks.

The Iranian news agency yesterday quoted refugees arriving from southern Iraq as saying opposition forces clash nightly with Republican Guards in Shia Moslem areas. Fighting over the previous two nights took place in Basra, Tanumah and Qurnah, with a number of government soldiers killed and military equipment destroyed, the agency said.

US company on brink of Kuwait clear-up deal

By David Thomas in Kuwait City

ONE of the first long-term contracts for the reconstruction of Kuwait seems set to be awarded to Waste Management, the largest waste services company in the US.

Chicago-based Waste Management looks likely to be given one of the world's biggest clean-up jobs – clearing the debris left by the Iraqis from the streets of Kuwait City. So far, the Kuwaiti authorities have awarded mainly short-term emergency contracts, but Mr George Villasana, Waste Management's vice-president for the Middle East, said he was in the final stages of negotiating a one-year contract.

Immediately after the defeat of Iraq, Waste Management crossed into Kuwait with 30 vehicles and 60 labourers and began to clean up a suburb of Kuwait City, even though it then had no contract from the Kuwaiti authorities. The company has since been awarded a month-long contract worth about $4m (£2.2m) to clean part of Kuwait. It has brought about 450 workers, mainly from the Indian sub-continent, into Kuwait to do this.

Mr Villasana said he was now negotiating a year-long contract worth well over $10m to clean the majority of Kuwait City, including almost all the central districts. The rest of the work will be divided between five Saudi companies.

The company will have to demolish pill boxes and clear away burnt-out cars. Mr Villasana said he aimed to return the streets to a semblance of normality within two months.

Gulf states to set up fund for regional development

SIX Gulf Arab states have agreed to set up a multi-billion dollar fund to promote stability in the region, Reuter reports from Riyadh.

The agreement was reached at the first meeting of the Gulf Co-operation Council (GCC) since the Gulf war ended more than seven weeks ago. "The programme of the GCC to boost development efforts in the Arab countries will be ready to operate in the near future," Sheikh Mohammed Abal-Khail, the Saudi finance minister, said. Speaking after talks with counterparts from Kuwait, the United Arab Emirates, Qatar, Bahrain and Oman, he said the fund would have an eventual capital of up to $15bn (£8.3bn).

Mr Abdullah Bishara, GCC secretary-general, said the six finance ministers had defined the fund's objectives and work methods. He gave no further details. Officials earlier said the six states would no longer lend their petrodollars without guarantees that the money would be used wisely.

GCC members were angered at the way in which Jordan, Yemen, Sudan and the Palestine Liberation Organisation, which received billions in aid, sympathised with Baghdad during the Gulf war.

UK offer for Kuwaiti students

By Mark Nicholson in Kuwait City

BRITAIN has offered to take in hundreds of Kuwaiti university students next year as part of a package of technical and material help designed to get the emirate's education system back on its feet.

A delegation of British educationalists, led by the British Council, made the offer this week after the Kuwait government indicated it is placing the highest priority on opening its schools and universities in August and September.

Kuwait says it expects its 600 schools to be refurbished and ready by August, but that damage to vital teaching equipment in universities and other higher education institutions would hinder the return of some of the emirate's 15,000 university students.

Mr Stuart Sutherland, the vice-chairman of London University, said he had accordingly offered places to hundreds of Kuwaiti students, whose fees would be payed by the Kuwait government, on a temporary basis. "We could reopen a small campus in London next year which would take 400-500 students," he said. "And I'm sure other British polytechnics and universities could offer some space."

The delegation, led by Mr Timothy Raison, vice-chairman of the British Council, also included Ove Arup, the architects, and Laing Consultants, who discussed supplying Kuwait with everything from books to laboratory equipment. Mr Raison said no firm contracts had been offered, but added: "The government seems very willing to commit themselves quickly to re-equipping."

Mr Raison also said the Kuwaiti authorities expressed interest in setting up creches, in order that Kuwaiti women could be encouraged to take up teaching posts. This is a further indication that the government is determined to replace Palestinians, who traditionally made up the core of Kuwait's teaching staff, in public service posts.

If you're buying a computer for your company, you'll need some very good reasons for your choice.

AMERICAN NEWS

Over 40 die after quake strikes in Costa Rica

By Tim Coone in Managua

OVER 40 people have been killed and hundreds injured in an earthquake which shook the Caribbean coasts of Costa Rica and Panama on Monday evening. Rescuers were yesterday struggling to free more victims trapped under rubble.

The epicentre of the tremor, which measured 7.5 on the Richter scale, was 40km south-east of the Costa Rican banana-exporting port of Puerto Limon.

Officials said the quake, which struck in the early hours of the morning, killed 23 people in Panama and up to 20 in Costa Rica.

Banana production is the main economic activity in the region and is thought to have been badly disrupted.

Scores of buildings in Puerto Limon were destroyed, and fires broke out at the state-run oil refinery close to the port.

Communications have been disrupted, as have water and sewage systems. Tidal waves hit the islands around Bocas del Toro in Panama.

The Panama-based Union Of Banana Exporting Countries (UPEB) said: "We know there has been serious damage to the roads and infrastructure, but we do not yet know the full extent of the damage to the plantations."

The Association of Banana Growers (Asbana) in Costa Rica confirmed that damage to the economic infrastructure such as roads, bridges and communications had been "severe" but said assessment of the damage to plantations was still "very preliminary".

A spokesman said: "Some packing plants and buildings have been damaged, but the plantations themselves are unlikely to have been affected."

The main producers in the region, United Brands, Standard Fruit and Del Monte, all have plantations in the earthquake zone. Costa Rica and Panama together export some 100m boxes of bananas per year.

The Nicaraguan army has sent two helicopters and a transport airplane to assist in rescue work, and is organising the despatch of bulldozers, water tanks and pontoon bridges to the affected region.

US ECONOMY

Fall in durable goods orders

by Peter Riddell in Washington

HOPES of an early end to the US recession have been undermined by an unexpectedly large drop in new orders for manufactured durable goods. Orders in March fell 6.2 per cent to the lowest level since August 1987.

The financial markets had been expecting a small rise in new orders following declines in three of the previous four months.

The sharp drop revived hopes of a possible cut in interest rates and contributed both to a rise in government bond prices and to a weakening in the dollar.

Mr Alan Greenspan, chairman of the Federal Reserve, yesterday told the Senate banking committee that current conditions suggested the

Alan Greenspan: worried

economy was "still modestly moving lower," but at a diminishing rate.

He expected the recession "to bottom out in a reasonably short period ahead".

He said the Fed continued to examine the economy on a "day-by-day" basis and the options remained open for interest rate movement. But he warned that the current rate of inflation was "more worrisome" than the rate in the summer of 1986, during a previous economic slowdown.

Significantly, there was weakness across the board in durable goods orders, affecting nearly all big industries. New orders for non-defence capital goods equipment, generally regarded as a leading indicator for business investment, fell by 10.3 per cent in March.

Excluding defence, new orders generally fell by 5.4 per cent. The decline was 4.6 per cent if the volatile transportation sector is excluded.

Yesterday's report runs contrary to some other recent, more positive indicators, such as in the housing sector, which suggested that the recession might be bottoming out and a recovery could start by the late summer.

It raises the question of whether total output, as measured by real gross national product, will continue to drop in the current period, which would represent three successive quarters of decline.

Some economists have pointed to a recent rise in stock/inventory levels as suggesting that any pick-up may be delayed and limited.

Dinkins dithers while NY sinks into the quagmire

Bernard Simon on the Big Apple's big problems

ALMOST every city in North America is feeling a three-way squeeze these days, but New York is worse.

The recession is eroding tax revenues; demands for social welfare and other costly services are spiralling; yet little help is forthcoming from governments preoccupied with balancing their own budgets.

These woes are only part, however, of the economic and political quagmire in which New York finds itself. The fiscal crunch in the US's biggest city is being compounded by a mayor seemingly unable to take tough decisions, a white business community nervous about upsetting the black mayor, and bureaucrats and trade union leaders who want everyone to make sacrifices except themselves.

New York's latest budget worries have not yet reached the proportions of the mid-1970s, when the city came close to financial collapse. "It's a difficult problem, but it's not a crisis," says Mr Quentin Spector, executive director of the Municipal Assistance Corporation, the body set up 15 years ago as banker to the city, which now acts mainly as a financial adviser.

The budget impasse has so far had little more impact on New Yorkers than the prospect of a shortened season at municipal swimming pools this summer, fewer lifeguards on the beaches, and a drive for private donations to save the Central Park petting zoo.

The long-term damage could be far more severe. While the budget deficit is projected at a relatively manageable \$450m-500m for the fiscal year to June 30, it is expected to soar to \$3bn (£1.7bn) in 1991/92.

The city's borrowing ability is also at risk, at a time when it needs to raise about \$3bn a year to fund new capital projects. New York bonds are already trading at a premium of about 1 percentage-point to those of issuers with a similar credit rating.

Mr Don Mele, director for public issues at City Partnership, a non-profit civic group, is worried that the improvements made to New York's infrastructure over the past decade – ranging from street repairs to gleaming new sub-

Dinkins: failing to make tough decisions

way carriages – will gradually unravel if a solution is not found to the budget problem.

At the core of the problem is New York's heavy exposure to the real estate and financial services businesses, and related sectors, which have been especially hard hit by the recession. The city's economy tumbled into recession more than a year before the rest of the country, and has felt its impact far more severely.

According to the New York Port Authority, construction activity fell by 28 per cent last year, compared to a national decline of only 11 per cent. With many high-income earners in the financial services and related industries out of work, retail sales dipped by 1.2 per cent last year, against a 3.9 per cent advance in the country as a whole.

Matters have been made worse by the dithering of Mayor David Dinkins and the intransigence of the city's trade unions.

Instead of taking the tough decisions needed to balance the budget, Mr Dinkins has gone out of his way to avoid confrontation with the city's many special interest groups. He lifted, then reimposed, a freeze on hiring municipal workers. At the same time, he has proposed hiring several thousand police officers to dampen fears about a new crime wave.

Several deadlines are looming. The financial markets' opinion of New York's financial condition will become clearer within the next 10 days when the city is expected to raise about \$1bn in "revenue-anticipation" bonds – money required because the New York state budget, which will provide for transfers to the city, is itself almost a month overdue.

If Mr Dinkins fails to bring the municipal budget shortfall below \$100m by the end of June or if the city is shut out of the capital markets, administration of municipal finances could pass to the Financial Control Board, another agency set up in the mid-1970s to bring more discipline to New York's financial affairs.

The chances are slim that the FCB, whose members include the governor, the mayor, city and state comptrollers and three private-sector nominees, will actually step in. Whether by fiscal prudence or by some sleight-of-hand accounting, Mr Dinkins is likely to pull out all the stops to avoid the humiliation of outside intervention.

According to Mr Spector, "the betting seems to be that the city will make it through 1991 intact, but partly by mortgaging 1992. The question is: Will they use that time well?"

The answer depends largely on how quickly the city emerges from recession and can rebuild its eroded tax base. Ms Nancy Feldman, an analyst at Standard & Poor's rating agency, asserts that "there's no question New York will lag the rest of the country." She does not expect a recovery before the first quarter of 1992.

The danger is that a prolonged slump or very slow recovery will not give Mr Dinkins the tax revenues he needs to come anywhere near balancing the 1991/92 budget. The city will then face far more unpleasant choices than it does today, plus the risk of more severe labour strife and political turmoil.

Brazil takes assets freeze case to court

by Christina Lamb in Rio de Janeiro

THE Brazilian government will appeal to the Supreme Court this week to stop a wave of judgments allowing people to withdraw cruzados blocked in an \$80bn asset freeze last year, alleging that the resulting increase in money supply could scupper its economic stabilisation plan.

Ms Zelia Cardoso, the economy minister, said on Brazilian television: "If the court decides that all the money should be liberated I wash my hands of all responsibility over what may happen to inflation."

The government appeal comes in response to a series of regional court decisions declaring its asset freeze, the centrepiece of a drastic anti-inflation plan, unconstitutional. This has led people to ask the courts to free their money. There are 70,000 cases pending.

● Acindar, Argentina's largest private steel company, sparked off a new round of industrial unrest yesterday by locking out all 3,000 workers at one of its steel mills in Santa Fe province, John Barham writes from Buenos Aires.

Retired General Alcides López Aufranc, Acindar's president, said that a severe contraction in demand, rising costs and the threat of foreign competition had forced the company to reduce employment by 20 per cent.

Negotiations over introduction of flexible working practices with the metalworkers union broke down in February.

Japan shifts policy on Antarctic mining

JAPAN has made a significant policy shift over mining in the Antarctic and asked for a moratorium until technology is advanced enough to safeguard its environment, a Japanese diplomat said yesterday, Reuter reports from Madrid.

"Japan wants an indefinite moratorium until we find technology allowing mining without harming the environment," said a Japanese embassy spokesman.

The Japanese proposal to a meeting of the 39-nation Antarctic Treaty in Madrid surprised environmentalists, who saw it as a radical change. The spokesman gave no explanation for the change of heart.

Japan had been part of a lobby including the US and Britain in favour of limited exploitation of Antarctic mineral resources, which include oil and coal, under the strict environmental safeguards set down in the 1988 Convention for the Regulation of Mineral Activities in the Antarctic.

Britain has shifted its position to back a moratorium of 30 to 50 years since the 11th consultative meeting in Viña del Mar in Chile last December. The eight-day Madrid talks aim at finding consensus on mining in Antarctica.

Diplomats and environmentalists say the prohibition lobby, led by France, Australia and New Zealand, is gaining strength.

"This is fantastic news as far as we are concerned," said Mr James Martin Jones of the Worldwide Fund for Nature. "I would say the US and Britain look pretty isolated now."

US sends troops to train Bolivian drugs unit

A GROUP of US military advisers assigned to train Bolivian anti-drug units has arrived amid warnings from coca leaf growers that they will fight any troops who try to enter their farms, AP reports from La Paz.

The US advisers will train two army battalions that will help police battle cocaine processing and trafficking.

Thirty-six US Army advisers from Fort Bragg, North Carolina, arrived on Monday in Santa Cruz, the capital of a major cocaine producing region about 350 miles east of La Paz, government officials said. Another eight advisers were scheduled to arrive yesterday. They will be based at the Manchego military base near Santa Cruz.

A second group of 56 advisers is scheduled to arrive after the 10-week course

About 800 Bolivian police trained by the Drug Enforcement Administration are now largely responsible for most of the anti-trafficking operations.

US military personnel have been involved in anti-drug campaigns in Bolivia since the mid-1980s, but previously had not directly trained army troops. Bolivia provides about a third of the cocaine smuggled into the US and Europe.

The US has allocated \$45.7m in military aid for anti-drug operations. Most of the money will go to equip and train the Bolivian air force.

WORLD TRADE NEWS

Airbus chief vows to fight off Gatt challenge by US

By Paul Betts, Aerospace Correspondent

THE European Commission will use "every legal weapon" at its disposal to defend the interests of Airbus in its aircraft subsidies dispute with the US, Mr Jean Pierson, the head of the European aircraft consortium, said yesterday.

The long-standing trade dispute has entered an important new phase with the US taking the issue before the General Agreement on Tariffs and Trade (Gatt). The US claims the European consortium has received direct subsidies totalling \$25.9bn which have distorted trade in commercial aircraft.

But Mr Pierson, in an address to the Cranfield School of Management, vigorously rebutted the US claims and called for a more balanced redistribution of the world civil aircraft market.

"Airbus stands today as the only recourse against the monopoly of the civil aerospace industry by US manufacturers," Mr Pierson said. "It must carefully protect its hard-won positions in the strictest respect of international agreements," he added.

Mr Pierson claimed that the latest US attacks against Airbus coincided with the European consortium's twin strategy of capturing a third of the world airliner market by 2010 and developing a 700-seater aircraft to challenge Boeing's monopoly of the jumbo airliner market.

He also suggested that the American attacks had intensified with the approach of the first flight next October of the new long distance, four-engined Airbus A340 aircraft which will increase competition for Boeing and McDonnell Douglas in the long-haul airliner market.

Despite the aircraft industry's current difficulties, Mr Pierson expected air traffic to show at least 5 per cent growth a year during the next 20 years, requiring the delivery of 12,300 new aircraft between now and 2010. "This represents some \$680bn worth of business of which Airbus firmly intends to capture a third," he said.

Responding to the latest US complaints, Mr Pierson said the European side had recently made a number of proposals to redraft some of the contentious articles of the Gatt civil aircraft agreement code. Europe, for example, had agreed to limit to 45 per cent direct government support for research and development of new Airbus programmes.

"From 100 per cent for the early Airbus programmes, launch aid has been reduced to 60 per cent for our latest programme, the A330/A340 and to nil for the A321," Mr Pierson said. In return, Europe wanted total transparency in the indirect support the US manufacturers receive from their government. However, this proposal had been turned down by the US administration.

Mr Pierson claimed Boeing and McDonnell Douglas had received \$23bn in indirect supports from government agencies between 1978-87. The US, however, disputes this.

Mr Pierson stressed that the European consortium's target was to finance future programmes from internal funds. "We have done so for the A321. As we start delivering a complete range of aircraft from 1993 onwards, we will be in a better position to compete with Boeing on an equal footing," he said.

France's export credit claims rise

By William Dawkins in Paris

FRENCH exporters made FFr11.4bn (£1.13bn) of net claims on state-guaranteed contracts last year, equivalent to around 1 per cent of France's total overseas sales, said Coface, the French export credit guarantee agency.

The figure, the balance between overall repayments on state-guaranteed exports handled by Coface and premium and other income, is a slight increase on the FFr10.9bn of claims on state-covered exports paid out the previous year.

It does not include claims expected from unpaid bills related to the Gulf war, likely to be around of FFr5bn this year, forecast Coface officials. However, Iraq was already among last year's worst payers, as were Egypt, Morocco, Nigeria and Brazil, said officials.

Coface saw a 23 per cent rise in reimbursements it had to pay out on its own account, rather than on the export credit guarantees it manages on behalf of the Government. These rose from FFr290m to FFr345m, with the worst performance coming from the recession-hit UK, plus Spain and Italy, said Mr Henri Baquiast, chairman of Coface.

The group covers short term credits of less than three years and political risks in the European Community, while it acts as an agency for the state for most non-EC political risks and medium term credit guarantees.

Coface saw its operating profits fall from FFr133.8m in 1989 to FFr103.5m last year, but exceptional gains lifted net earnings by FFr22.9m to FFr158.4m.

Premium income on Coface's own activities rose by 9 per cent to FFr605m, but Mr Baquiast did not expect the growth rate to improve significantly this year, given the uncertain outlook for French industry's main export markets.

Coface was last year transformed from a government department into a state-owned company, partly in anticipation of the European Commission's increasingly tough policy on state support for exports.

Poland to give birth to Fiat's new baby

FSM is to produce a brand new car under licence, writes **Kevin Done**

FIAT is about to become the first western car maker to start production of a new car range for western and eastern European markets exclusively from a plant in eastern Europe.

The Italian company is to launch early next year a new mini car, the Fiat Cinquecento (Fiat 500), which will be assembled under licence by FSM, one of the two Polish state-owned car makers.

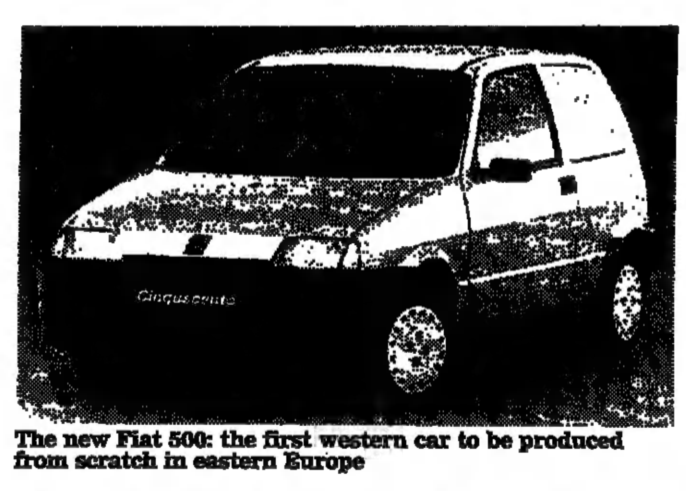
It is the first time that a model to be licensed by Fiat for production at a foreign plant has been developed from scratch rather than derived from an existing Italian model.

Fiat has invested L1,000bn (£453m) in developing the Cinquecento and in plant and equipment to modernise the FSM assembly plant at Bielsko Biala, Silesia.

Initially 160,000 cars a year will be produced. About 100,000 will be exported to western Europe. Output could rise later to 220,000 cars a year.

Plant and equipment worth DM900m (£302m) has been supplied to FSM under the Cinquecento development and production contract signed in 1987. About half of this is being supplied by Italian machine tool and components companies outside the Fiat group.

The currency needed by Poland to pay for the invest-



The new Fiat 500: the first western car to be produced from scratch in eastern Europe

ment at FSM will be generated by cars purchased by Fiat for sale through its dealer network in western Europe.

As a result of this arrangement Fiat has taken on the entire commercial risk for credit extended to Poland to buy plant and equipment both from the Fiat group itself and from other suppliers.

Cover provided by SACE, the Italian state export credit insurance agency, is limited to the risks of loss of revenue because of political events and catastrophes, and actions by the Polish authorities which might limit FSM production or block exports of finished cars.

The Cinquecento – named after Fiat's first baby car which pioneered the mini car sector in the 1930s – will replace the existing Fiat 126, the smallest car in the Fiat range.

The 126 was first produced in 1972 at the group's Cassino assembly plant in Italy, but production was gradually transferred to the FSM plant at Bielsko Biala from 1979. The Polish plant has been the sole production source for the 126 since 1981.

Fiat is still seeking Polish government backing for a more far-reaching plan to modernise and rationalise the entire Polish motor industry. It wants to create a holding company combining FSM and FSO, the two state car makers, in which Fiat would take the role of "strategic investor", to build engine and gearbox plants, and a licensing agreement to assemble the Fiat Tipo at the FSO plant in Warsaw.

There is confusion over the future of the antiquated FSO operations, however, which are centred on production of earlier Fiat designs under licence.

Fiat's radical plan appeared to have gained the backing of Polish President Lech Walesa on a recent visit to Italy, but FSO is also conducting competing negotiations with General Motors for the assembly of Opel/Vauxhall cars in Warsaw.

Mr Jack Smith, GM vice chairman responsible for international operations, visited Warsaw last week for talks with FSO. The US car maker has completed a feasibility study and is expected to begin negotiations with the government and FSO within a month.

GM is considering investing \$100m to establish an assembly operation for 30-50,000 cars a year (on two or three shifts) at part of the existing FSO facility.

Dunkel acclaims free trade moves by developing nations

By Anthony McDermott

THE Uruguay Round on global trade liberalisation may have stalled last December, but 45 countries, mostly developing ones, have liberalised their trade policies since the round was launched in 1986.

These moves are recorded in the annual report of the General Agreement on Tariffs and Trade (Gatt) presented to the Council yesterday by Mr Arthur Dunkel, the director-general.

While pointing optimistically towards this development within Gatt, which now has 101 members, Mr Dunkel records that, in volume terms, the growth of merchandise trade slowed in 1990 to 5 per cent from 7 the previous year. World output growth slipped from 4 to 3 per cent, but both figures were close to the average for the 1983-1990 period of expansion.

In spite of the slowdown in volume growth in 1990, the value of merchandise trade rose by 13 per cent to \$3,500bn, boosted by the 7 per cent depreciation in the average value of the dollar.

Preliminary estimates indicate that trade in commercial services – including transport, tourism, telecommunications, insurance and banking – increased by 12 per cent to about \$770bn.

Much of the standstill in the Uruguay Round talks has been caused by the impasse between the European Community and the US over the need for deep cuts in agricultural subsidies.

Looking ahead to 1991, Gatt says that "there is, as yet, no evidence that the slowdown in economic growth in the major industrial countries – including a fall in output in France, the United States and the United Kingdom in the fourth quarter of last year – has run its course". A world recession is unlikely, it says, but the timing of a broadly-based pick-up in growth rates is also unclear.

The measures undertaken by the 45 countries include tariff reductions and "bindings" (tariffs fixed in schedules to Gatt which can only be raised if compensation is negotiated), the elimination of quotas, the abolition of import licensing restrictions and the removal of other non-tariff barriers.

Looking ahead to the remainder of this year, Mr Dunkel emphasises "the importance of pushing ahead with the Uruguay Round negotiations".

French boost Romanian links

By Ariane Genillard in Bucharest

FRANCE is poised to become Romania's leading foreign investor, following the visit of President François Mitterrand to Bucharest last week.

Mr Mitterrand, the first head of state to visit Romania since the revolution in December 1989, was accompanied by six ministers, a dozen leading businessmen, and bankers from the French Foreign Trade Bank, the Crédit Commercial de France and Lazard Frères.

France clearly intends to take advantage of the strong cultural links between the two countries.

French companies have been reluctant until now to invest in Romania, largely because they have been waiting for the law on foreign investment to be enacted this month.

Most western investments in Romania have tended to focus on small-scale activities. In the first quarter of 1991, Germany and Italy invested the most, with \$5.2m and \$2.2m, respectively.

However, French companies anxious to gain a foothold in eastern Europe now appear to be taking Romania as a serious potential trading partner.

This shift in emphasis was confirmed by the companies who travelled with Mr Mitterrand. They included:

● CIT Alcatel. It is hoping to gain 40 per cent of the market in telephone systems. It will be competing with Siemens of Germany, which signed a joint-venture agreement last autumn.

● Groupe Sucres et Denreés. It signed a FFr100m (£9.93m) contract for the rehabilitation of sugar beet production and the construction of three sugar refineries.

● Other large companies about to sign contracts include Société Générale des Eaux, which is planning to modernise Bucharest's poor water system and Elf Aquitaine, which is looking into the country's petrol stations network.

● Bouygues. It signed during the presidential visit a letter of intent for the largest joint venture in the country so far, the construction of an international trade centre.

The government-backed French international radio service, Radio France International, has been broadcasting locally since January. A bilingual station in Bucharest is planned for later in the spring.

The francophone international channel, TV5 Europe, started broadcasting in Bucharest the day the French president arrived.

France's cultural budget in Romania already amounts to FFrs70m, by far the largest among western countries.

Nigeria seeks \$530m loans for gas project

By Deborah Hargreaves

MR Jibril Aminu, the Nigerian oil minister, is due in Washington tomorrow to sign further financing arrangements for the Oso Nigerian gas condensate project.

He will meet officials from Mobil Producing Nigeria, an arm of the US oil company, which is a partner in the project, to sign loans worth \$530m.

The loans are being made partly by the World Bank and its commercial arm, the International Finance Corporation, as well as Japan's Export-Import bank and the US Export-Import bank. Total financing for the project which is due on stream in 1993, is put at \$885m.

The Nigerian National Petroleum Corporation expects the project to produce 100,000 barrels of gas condensate a day in its first year of production.

Tories hint that June election ruled out

By Ralph Atkins

A JUNE election has been virtually ruled out by senior Conservatives, the party indicated yesterday when the government announced that the Monmouth, Wales, by-election will be on May 16.

By moving the writ in the House of Commons for a contest for the parliamentary seat just two weeks after the May 2 local elections, the Conservative's signalled that they were hoping for a swift campaign with minimal political damage. The party is defending a majority of 9,350.

The decision does not rule out a June or July general election, but if that had been the government's intention it is more likely to have delayed the by-election until the rest of the country went to the polls. The by-election follows the death of Sir John Stradling-Thomas, a former Tory deputy chief whip.

Labour, came second in the seat in 1987 and is hopeful of mounting an effective challenge as a springboard for the general election.

A poll by BBC Wales suggests Labour is starting the contest with 41 per cent of the vote, compared with 39 per cent for the Conservatives. The party's candidate is Mr Huw Edwards, a 38-year-old lecturer.

The Liberal Democrats are anxious to build on their dramatic successes in the Ribble Valley and Eastbourne by-elections. At the last election, the former alliance parties' candidate was less than 2,000 votes behind Labour.

One senior Liberal Democrat official said the contest, "has all the ingredients of another Ribble Valley" but the BBC Wales poll put the party on just 16 per cent.

Britain criticised over foreign aid

By William Dawkins in Paris

BRITAIN yesterday came under international criticism for continuing to let the volume of its development aid lag behind the norm for rich industrialised countries.

British aid is among the best managed in the world, but the amount continues to fall well below the United Nations target of 0.7 per cent of gross national product (GNP) and the gap is getting wider, according to a review published yesterday by the Paris-based Development Assistance Committee (DAC), which monitors industrialised countries' aid performance.

The biannual study arrives at a sensitive moment, just as prime minister John Major is coming under pressure to fulfil a 1983 statement that he hoped Britain would reach the UN target.

British official development assistance (ODA) has increased only marginally in volume since the early 1980s, to reach $2.6bn in 1989. But it has fallen as a share of GNP, from 0.49 per cent in 1978-1979 to a mere 0.31 per cent in 1989, says the report.

At this level, Britain is only the 13th most generous donor among the 18 countries belonging to the DAC, though the study shows that the UN target is bettered by only four of them, Norway, Sweden, the Netherlands and Denmark. France claims to spend 0.78 per cent of GNP on overseas aid, though that falls below the UN target to 0.54 per cent if its overseas territories are counted as part of France, rather than overseas developing countries.

In real terms, Britain's ODA rose by 1.1 per cent in the five years to 1989, slightly less than half the 2.3 per cent average rate of increase for industrialised donor governments over the same period.

The DAC recognises that the British Government is planning to do better by increasing the volume of aid by 17 per cent over the next three years, but feels that is not enough. "Based on present planning, the real increase in the UK aid programme is likely to remain slight" and aid as a share of GNP could well fall further, said a communiqué by the DAC.

The high quality of British aid, delivered by a strong administration with long experience in developing countries makes it "all the more desirable that the British aid efforts be increased."

Britain's practice of focusing aid on to the poorest countries comes in for praise, as does its policy of using aid to encourage better government, with economic and environmental reforms. "The UK considers that good government and development are closely linked," said the DAC.

UK economy shows signs of recovery

By Peter Marsh, Economics Staff

BRITAIN'S current account deficit widened last month, a sign that the country's battered economy may soon begin a recovery.

The increase in the deficit, from £227m in February to £432m in March, was announced yesterday by the government. It was caused largely by a 3 per cent increase in imports between February and March, indicating renewed economic activity by Britain's consumers and industrial groups.

Political opponents of the government seized on the increase in imports, to £9.4bn last month, as signalling a structural weakness in the economy, which may lead to a rapid growth in the import bill once demand improves.

According to this argument, Britain suffers from a lack of ability to meet home demand by increasing domestic output, rather than by buying goods from overseas.

The opposition Labour party said the higher imports were linked to a weakening in Britain's industrial capacity.

Last year, Britain cut its current account to £12.8bn, from £19.9bn in 1989, as the recession scaled back demand for overseas goods.

However, yesterday's figures indicate that the pace of the improvement is clearly slowing.

The measure favoured by government statisticians as showing the underlying trend - the value of visible trade, not counting oil and erratic items such as aircraft, ships and gems - barely altered last month.

The deficit on this basis was £1.1bn in March, the same as in February, and is the smallest number for four years. The comparable figure in January was £1.2bn.

In terms of quarter-on-quarter statistics, the underlying deficit declined by 7 per cent during the first three months of this year, compared to the fourth quarter of 1990. Between the third and fourth quarters of last year, the decline was 22 per cent.

Mr Peter Spencer, chief UK economist at Shearson Lehman, a US-owned investment house, said the trade figures were "very disappointing, given the weakness in the economy".

The Treasury said the figures showed a flattening in the reduction in imports - but that apart from this it was difficult to read too much into them.

● MR Norman Lamont, the UK chancellor, yesterday announced two fundamental shifts of emphasis in the Treasury's monitoring of the economy.

Mr Lamont acknowledged that official economic data would continue to signal the UK was in recession in spite of the recovery in output due to begin in the second half of the year.

At the same time, underlying inflation - as measured by the retail prices index (RPI) excluding mortgage interest payments and the community charge - would be "meaningless in the coming year" as a result of the changes to the poll tax and VAT announced in the Budget.

To track underlying inflation, the Treasury would from now on monitor closely the RPI less mortgage interest payments, he said.

This would recognise the largely offsetting nature of the switch from community charge to VAT and exclude the volatility in the RPI derived from changes in interest rates.

To assess the shape of the recovery, the Treasury would focus on anecdotal surveys of consumer and business confidence as they had given the best early warnings of the recession which started in the middle of last year. In general, forecasters - who rely more on economic statistics - failed to predict the recession.

BRITAIN IN BRIEF

Executives sceptical of upturn hope

Mr Norman Lamont, the chancellor, tried to convince a sceptical and critical audience of 3,000 business executives that an end to the recession was in sight.

He told the Institute of Directors' annual convention in London that he expected a recovery in output - "albeit relatively slowly at first" - in the second half of the year.

Mr Lamont said he believed his first budget and the recent reductions in interest rates would help to pave the way for an improvement in business optimism. He also said the government was on course to achieve a sharp and sustained reduction in inflation, although unemployment would continue to rise after business conditions begin to improve.

Norman Lamont: faced problems with directors

The chancellor sat down to respectable applause but, in a question-and-answer session at the end of his speech, immediately found himself on the defensive.

Curb urged on open-cast mines

British Coal could face stringent regulations on open-cast mining in Wales if recommendations published by a House of Commons select committee were adopted.

This would intensify British Coal's existing difficulties in securing planning permission for opencast, or surface mines, which are typically more commercial than deep mines but are often viewed as disruptive to the landscape and local community.

E Midlands cuts back

Companies in the East Midlands, one of the UK's fastest growing regions, are cutting back their investment in training and fixed assets as the recession bites more deeply, according to a survey of 940 companies in the region.

DTI backs wide-screen TV

The Department of Trade and Industry has decided to back research designed to bring wide-screen television to most viewers.

The research project under the Eureka high technology programme, would look at ways of bringing better quality pictures to the majority of the population who do not have satellite television.

Health arm lacks control

The National Health Service's £4bn-a-year supplies operation could benefit from management techniques used in companies such as Boots and Marks & Spencer, the National Audit Office says today. An audit office study of the management of complex operations in private sector companies revealed that the NHS's approach differed sharply "in nearly every respect."

TUC 'should accept tenders'

Unions in the public sector should be prepared to be flexible about traditional bargaining structures in order to allow better delivery of services, a senior Trades Union Congress official said.

Mr Bill Callaghan, TUC assistant general secretary, said in a paper that unions should accept that competitive tendering could be good for services.

Power station building surges

A record number of power stations are being built in England and Wales, according to the seven-year statement issued by the National Grid Company (NGC).

Nine new stations, with a total capacity of 7,400 Megawatts have signed agreements for connection to the national electricity grid. New stations planned by National Power and PowerGen, the two large generators, account for around 3000MW of the new capacity. The rest are being built by independent power projects, notably the ICI and Enron consortium which plans 1875MW station on Teeside.

Private-sector schools boom

The number of pupils at independently-run private schools has risen for the eighth successive year, according to the Independent Schools Information Service.

The annual survey shows 476,448 pupils attending 1,372 independent schools. Some 7.4 per cent of the school-age population are now educated at independent schools, up from 5.8 per cent in 1979.

BBC to cut London staff

The BBC is this year to shed 720 jobs from its network television operation in London as part of its ongoing cost cutting programme and the policy of sourcing a higher proportion of programming from independent producers.

The job losses, which will affect nearly one in ten of all network television employees, are intended to save £14.5m a year.

The BBC needs to cut network costs of its television operation by £25m by 1993.

FT award

Hugo Dixon, the FT's telecommunications writer, was presented with the Wincott Junior Financial Journalist of the Year award in London.

UK NEWS: The End of the Poll Tax

Drastic solution to a bruising fiasco

Richard Evans asks if the poll tax replacement is a short or long term panacea for local government

SO FAR, so good. The controversial poll tax is all but dead, although the extended burial service will take a full two years to complete.

The initial reaction to its successor, the council tax based on property values similar to traditional 'rates', finally unveiled yesterday after weeks of agonising, was a qualified welcome to a pragmatic package targeted to meet the many anxieties of Conservative supporters.

For the outcome of the next general election could depend on its acceptance or rejection by the electorate.

However, the drastic nature of the solution, which represents the biggest political U-turn in years, shows how traumatised ministers have become over the damage inflicted by the poll tax.

A return to the rates is a gamble which has no guarantee of success, but at least it gives ministers a chance to restore electoral credibility and seek to unravel some of the harm done to the Tory Party over the last two years by the introduction of a local tax widely perceived as regressive and unfair.

Mr Heseltine's original idea was to launch an across-the-board inquiry into all aspects of local government: finance, structure and organisation.

This remains the intention, but all the indications from yesterday's consultation papers are that the inquiry has degenerated into a piecemeal approach because of the need to ditch the poll tax quickly.

Virtually all effort has been focused on this, and any changes in structure and organisation lie well in the future.

In the short term, at least, the tactic could work. The figures show that the estimated average household charge for two or more people in the top property band of £888, and for those in the lowest band of £267, would be well below the last average rates bill or the average poll tax paid last year.

This is clearly good news for the government, particularly as the package has been cleverly framed to avoid the big variations under the old rating system, and to ensure there are not too many losers in the prime Tory territory of the south-east.

There is therefore political logic in not creating too many losers among Tory supporters, and economic logic in the restoration of a link between the size of bills and ability to pay. It looks a skilful package, although it will lay the government open to the charge of looking after its own supporters at the cost of others.

Yet, many problems remain, mainly because no real attempt has been made to link reform of finance to reform of structure.

Mr Heseltine and Mr Major may ultimately pay a heavy price for this lopsided approach.

The impression remains that the shape of local government is being refashioned almost accidentally as a result of the earlier botched attempt to abolish the unpopular rating system.

The establishment of a fairer, more soundly based method of local revenue will not end the tensions between local and central government, which have been stretched almost to breaking point by the bruising fiasco of the poll tax.

The confusion of responsibility between town halls and Whitehall has become an increasing source of conflict over the past decade and the consultation paper on structure showed that everything remains to be decided.

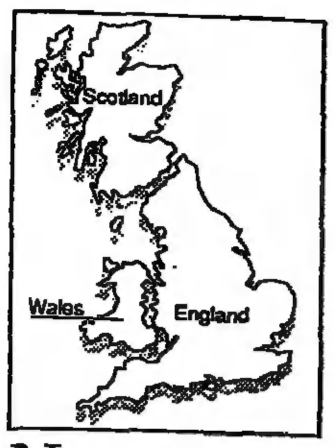
Battle lines are already being drawn up in the conflict that is about to start over the introduction of unitary authorities, with many counties fighting for their existence against pressures from the districts to take over their powers.

Mr Heseltine has guaranteed a lengthy, messy process by stressing that it will be largely up to local opinion to decide what form of local administration is required, including in some cases the retention of two tiers of authority.

Politically, the difficulty is that the majority of county and district councils are Conservative led, and the party could be badly split by the forthcoming conflicts.

The blight of the poll tax might not yet be over. It could continue to distort domestic politics until clear lines for local and national administrative responsibilities are finally decided, and that is still some way off.

DAYS OF STRIFE: the riot in Trafalgar Square, London, typified widespread antagonism to the controversial poll tax



New tax varied for Wales and Scotland

By Emma Tucker

THE NEW council tax will operate in Scotland in the same way as planned for England and Wales, Mr Ian Lang the Scottish secretary announced yesterday.

However, while the discount, rebate and transitional arrangements would be the same, some details of the tax might be varied to meet Scottish circumstances.

Most households in Scotland were in the lowest three bands where the average bill for a two person household would be £380 while the bill for a one-person household would be £280, Mr Lang said.

To prevent the new tax reaching unacceptable levels, he announced he was bringing his capping powers, not exercised in Scotland under the poll tax, into line with those of the Environment and Welsh secretaries.

Mr David Hunt, the Welsh secretary, told the House of Commons that detailed arrangements to replace the poll tax in Wales might need to differ to meet local circumstances.

"The proposal I have brought forward today looks at Wales as a country in itself. There is no transposition of values from England to Wales," he said. Mr Donald Dewar, opposition spokesman for Scotland, said the system had been rigged to protect the better off. The move to a single-tier tax was "riding on Labour's coat tails," according to Mr Barry Jones, the opposition Welsh spokesman.

Michael Heseltine

Tory relief flows out at funeral oration

By Ivor Owen

GOVERNMENT supporters showered congratulations on Mr Michael Heseltine, the environment secretary, in the Commons yesterday when he promised to bury the poll tax and replace it with a council tax with a "property and personal element".

Any lingering doubts on the Conservative benches about the effectiveness of the long-awaited funeral arrangements were dispelled by Mr Nigel Lawson, the former chancellor of the exchequer, whose objections to the introduction of the poll tax were overruled by Mrs Margaret Thatcher, the former prime minister.

Ministers and Tory backbenchers were clearly relieved when Mr Lawson, who recently warned about the political perils which would be associated with a new burden identifiable as "son of poll tax", joined in the welcome given to Mr Heseltine's proposals.

The former chancellor said there would be widespread relief throughout the country that the government had had the courage to "consign the poll tax to oblivion", and to take a firm decision that its replacement should be a property tax based on capital valuation.

Labour's relatively unsuccessful attempt to give Mr Heseltine a rough ride was led by Mr Bryan Gould, opposition environment secretary, who emphasised that the poll tax, with all its unfairness, would continue until 1993.

Tories hope council tax will lead to election victory

By Alison Smith

SOME aspects of the new council tax suggest either altruism on the part of its architects or a belief that some supporters can be taken for granted.

For example, it would benefit all two-person households in the opposition Labour party controlled London borough of Lambeth while in marginal Tory Bath the majority of households would pay more.

A more complex picture emerges beyond those extreme examples of the massed ranks of figures provided by the government to illustrate how the council tax would work.

The numbers themselves are subject to caveats. They are based on bills, and not on actual amounts paid, so that the real benefit to people who did well from the community charge reduction scheme, because they live in homes which had low rateable values, will be less than the headline difference suggests.

The reduction scheme has been added to the central government grant, leaving a lower amount (£6.8bn) to be raised from local authorities, and the cost of collection has been assumed to be 40 per cent of the cost of collecting the poll tax. In general, however, Tory marginals will breathe a sigh of relief.

Mr David Martin, the Tory MP for Portsmouth south, has a majority of only 205. With a Portsmouth city council poll tax at £179, households of two or more people in five of the seven bands – 94 per cent of homes – would pay less under the new tax.

In Pendle, where Mr John Lee, the Tory MP whose majority is below 3,000 has been an outspoken critic of the poll tax, the gains for two-person households look impressive.

Almost 70 per cent of homes fall within the lowest two property bands, under which two-person households would gain from the switch to the new system. With a headline poll tax of £218, two or more person households in half the homes in the district which come within the lowest property band would gain by more than £100.

Nottingham, where Labour and the Tories each have 27 seats on the council and all are up for election next month, also looks set to do well from the change. Two of the three Nottingham seats are Tory marginals.

A poll tax for two adults this year comes to £590: all but 4 per cent of homes fall into bands which would mean households of two or more adults would benefit. Single person households also gain from the switch unless they live in the 13 per cent of properties in the top four bands.

With the release of the figures halfway through the local election campaign, the first test of how well they survive sustained political debate may come in the Monmouth by-election to be held in mid-May.

Though most single person households would be worse off under the new system, two or more person households in the roughly three-quarters of homes valued below £90,000 would benefit.

Will it be enough?

MANAGEMENT

Corporate governance

A quinquennial solution to a perennial problem

By Geoffrey Owen

As a mechanism for disciplining bad management, the hostile takeover has its attractions. But it can be overdone. When the market for corporate control becomes over-heated, as it did in the mid-1980s, assets are shuffled and re-shuffled for short-term gain and sound companies are damaged in the process. Can anything be done to limit the intensity of the next takeover wave?

The outcome of takeover contests would be more rational if the opportunistic element were reduced and the principal actors – above all, the institutional investors whose votes are usually crucial – were forced to focus on the long-term prospects of the companies concerned. At present, as in the NCR-AT&T case in the US, investors have to sort their way through a stream of one-sided propaganda, accompanied by a series of legal manoeuvres as the contestants seek to gain advantage.

In these circumstances it is hard to answer the fundamental question – how well has the defendant management been doing and what is it likely to achieve in the future.

One of the merits of the proposal put forward last year by two American lawyers, Martin Lipton and Steven Rosenblum*, is that it offers a more orderly framework in which takeover decisions can be taken. Directors of public companies would be judged on their performance over five years. At each quinquennial meeting they would offer themselves for re-election on the basis of a detailed account of their stewardship over the preceding five years and their plans for the next five; past performance and future projections would be subject to an appraisal carried out by an independent investment bank or consulting firm. Hostile bids could only be considered at the quinquennial meeting; directors would be free from takeover threats in the interim, but their jobs would clearly be on the line at the end of each five-year period.

This approach meets the desire of managers not to be judged solely on short-term financial results, but without making their lives too comfortable. They would have to be more open and explicit about their forward plans; their ability to fulfil those plans would be exposed to rigorous public scrutiny.

Institutional shareholders

The usual reaction of City practitioners to the Lipton-Rosenblum paper is polite indifference: do we really need to tear up the existing system just because of a few takeover excesses? But a virtue of the proposal is that it builds on existing arrangements for reporting to shareholders.

Unlike most other proposals for reform, it does not have unrealistic expectations about changing the behaviour of non-executive directors or institutional shareholders. Most institutions have neither the resources nor the motivation to become "interested owners", monitoring companies on a continuous basis; it is not obvious that the management of those companies would be improved if they did so.

But shareholders do need reliable information on which to base investment judgments. Just as the proposed accounting changes in the UK would improve the quality of financial information, so the Lipton-Rosenblum reforms would provide better insight into overall corporate objectives and performance.

The proposals do involve restrictions in the free market for corporate control. But takeovers, especially those involving large companies, are important events with economic and social repercussions. It is right that contested bids should be decided only after the most careful consideration.

The argument is not that the market for corporate control should cease to exist – it remains an important source of flexibility in the Anglo-American capitalist system – but that the rules governing its operation should be tightened in a way which makes bad takeovers less likely. The quinquennial proposal involves a skilful trade-off between the interests of managers, investors and society as a whole. It does so by uniting boards of directors and shareholders behind what ought to be the primary goal of the enterprise – to maximise profits over the long term.

**Outlined in the FT on June 27 1990, now elaborated in The University of Chicago Law Review, Vol 58, No 1, Winter 1991.*

Sir Geoffrey Owen is on the staff of the Centre for Economic Performance at the London School of Economics.

The struggle to breach the Whitehall Wall

Government and industry must both play their part, reports Michael Cassell

When Geoffrey Morgan was plucked from the ranks of the civil service as a potential high-flyer and seconded for two years to Guinness's brewing operations, his arrival at the company's reception desk set the alarm bells ringing.

His induction into Guinness 20 years ago provided him with his first experience of the mutual suspicions which separate Whitehall from the world of business. "I turned up with my official briefcase and the gate-keeper immediately alerted the staff that Customs and Excise were on the premises. The company was not up to anything but it liked to be prepared when officialdom called. I was quickly given a less formal-looking briefcase."

Though Whitehall-wise, Morgan was naive when it came to the business world and jumped at the opportunity to see it from the inside. He was astonished at the lack of paperwork and what he saw as the simplicity of the company's objectives – "selling more beer".

By contrast, helping to run a country, he suggests, without any attempt to belittle the daily challenges confronting industry, can be quite complicated.

His remarks offer an insight into the cultural differences which have long separated public service and private enterprise and which many believe could, if more effectively bridged, help improve Britain's economic performance.

By spending time with Guinness, Morgan climbed over what the Public Policy Unit has just dubbed the "Whitehall Wall" – the barrier between government and industry. According to PPU, which monitors and advises on government policy, the wall is built squarely on lack of understanding, poor explanation and invariably unhelpful attitudes.

A PPU report, published by the Bow Group, the centre-right think tank, concludes that the government's outlook remains steadfastly inward. It claims that Whitehall, despite the phased introduction of private sector disciplines into its revenue-raising operations, has barely started to comprehend the needs of the enterprise culture which its recent political masters have tried to spread.

Industry, on the other hand, is accused of paying scant attention to the process of policy-making and of invariably leaving responsibility for dealing with government in the hands of unsuitable employees. Companies are urged to regard the task of enlightening government about their activities as a duty and social responsibility.

The system of civil service recruitment does not help. The Civil Service Selection Board, which interviews all the most promising entrants, has no brief to foster either commercial disciplines or greater empathy between government and governed. Only one in a thousand of those officials entering a Whitehall department at the first level of middle management has any working experience of a commercial environment.

The PPU says that the "bottom line" to businessmen is financial; their frustration is with officials who draft policy without fully appreciating the market consequences of their actions.

Top-ranking civil servants are portrayed in the same mould as judges, almost exclusively receiving their training in a cloistered environment both technically and culturally removed from the world over which they may exercise profound influence.

Lord Young, the former Trade and Industry Secretary, criticises the lack of two-way traffic: "Where are the very best of civil servants, who leave and go into industry in their early forties, as the French do as a matter of course? How many in our great companies have the faintest idea how government really works? One or two, not more.

"We practice a doctrine of separation of experience that appears absolute. Then we wonder why it is that government has an imperfect understanding of the needs of commerce and industry."

Progress towards overcoming the ghetto mentality between public and private sectors has been more marked in other, often more vibrant, economies.

In Japan, for example, large numbers of "Amagari" – or high-flyers – are continually seconded from companies to spend up to two years in government ministries, which command a far greater status in the eyes of businessmen than is the case in Britain.

In France, the Ecole Nationale d'Administration provides civil servants with contextual training intended to provide them with appropriate industrial and business skills. Critics even suggest the system has gone too far, with the development of equally critical political skills invariably neglected.

Sporadic attempts in Britain to enhance co-operation and understanding between both sides have been under way since 1968. The initiative was revitalised in 1989 by Lord Young as Trade and Industry Secretary with the launch of the Bridge programme.

After his spell in the brewing industry, Geoffrey Morgan is now an under-secretary in the Cabinet Office and the man primarily responsible for secondment.

The British programme is essentially intended for "rising stars" on both sides. Larger, better-resourced companies tend to dominate the programme but smaller companies are now being encouraged.

While many civil servants opt to join companies, as opposed to business support organisations or financial institutions, they rarely express an interest in manufacturing businesses. Among the most popular Whitehall destinations for corporate employees are the "economic" departments like the Treasury, DTI and Energy.

In 1989, the Department of Trade and Industry, which employs 12,000 people and is charged with "assisting the process of wealth creation", despatched 41 people to join the wealth-creators. The DTI played host to 46 businessmen.

The total secondment programme during 1989 saw a total of 627 longer-term placings on both sides of the Whitehall Wall, along with another 550 short-term attachments. At the same time, 69 civil servants took up non-executive directorships with companies.

A separate, "short-stay" arrangement, operated by the Whitehall and Industry Group – a joint venture between industrialists and the Cabinet Office – enables high-calibre civil servants to spend up to three weeks with companies, participating at the highest levels of decision-making.

But the strong emphasis placed on quality rather than quantity for the overall secondment programme cannot fully disguise some disappointment within government and beyond over the still-limited scale of the initiative.

The Royal Institute of Public Administration, which is concerned with policy making and administration in the public sector, has joined calls for the secondment programme to be expanded and given a higher status by both sides and deplores the sort of attitude which means some companies leave the job to their community affairs or charity sections.

Chris Bright, a competition lawyer with Linklaters & Paines, the solicitors, recently finished a two-year spell with the Department of Trade and Industry and enthusiastically supports the initiative. "My view of the civil service changed markedly. I got fed up being accused of working from ten o'clock until four; the reality was that I had never worked harder in my life."

Though full of admiration for the expertise and dedication of the senior civil servants with whom he worked, Bright has some kindly criticism.

"There is a tendency for people within government departments to over-focus on particular issues. They do not always get the broader picture and fail to appreciate the wider impact of the decisions they take."

Bright also believes that too many civil servants remain over-sensitive about publicly imparting information and are suspicious of any scheme which lifts the veil: "The inbuilt perception among some public servants that the people should not know certain things is a mentality that must be addressed and overcome."

Susan Gardiner left Customs and Excise to spend two years with P&O Containers and says the experience broadened her entire approach to decision-making. She says she is "far more willing to be optimistic" about resolving problems.

She does not believe, however, that the ethos of private sector management can necessarily be transferred into the civil service, where a wider, political perspective is necessary.

Gardiner would like to see the secondment programme extended but says industry, too, has to be willing to participate. Businesses might not, she suggests, always demonstrate the sort of broader, long-term view such a commitment demands.

Given a civil service more than half a million strong, the Cabinet Office hopes the current rate of secondments can be stepped up. In the meantime, one of its biggest challenges is to find companies prepared to take Inland Revenue staff; the quest for mutual understanding does, apparently, have some boundaries.

FT LAW REPORTS

Negligent valuer pays no damages

SWINGCASTLE v GIBSON
House of Lords (Lord Keith of Kinkel, Lord Brightman, Lord Griffiths, Lord Oliver of Aylmerton and Lord Lowry): April 18 1991

A MORTGAGEE who lends in reliance on a negligent valuer's report, and who would not have lent but for that report, cannot claim damages from the valuer for loss of contractual interest due from the borrower on the loan sum if the borrower defaults. But, in addition to the difference between sums paid out and sums recovered, he can claim interest at a commercial rate on the loan sum, to compensate for the time he was deprived of its use.

The House of Lords so held when allowing an appeal by the defendant valuer, Mr Alastair Gibson, a chartered surveyor, from a Court of Appeal decision (*FT, April 6 1990*) upholding a County court assessment of £7,136 damages owed by him to the plaintiff, Swingcastle Ltd.

LORD LOWRY said that at the beginning of 1985 Mr John Clarke and his wife were in financial difficulties. Their home was mortgaged. They owed £1,700 to a building society and £6,300 to a finance company.

Being anxious to pay off those debts, they went to brokers whose business included putting borrowers in touch with lenders.

The brokers instructed the valuer to survey the property and give a report for the benefit of whoever might become their lending principals.

The valuer placed the forced sale value at £18,000. Relying on his valuation, Swingcastle lent Mr and Mrs Clarke £10,000 secured by a first charge over the property.

The entire loan was used to pay the £1,700 and £6,300 debts, and the £2,000 brokers' fee.

The loan was repayable by 120 monthly instalments at 36.51 per cent annual interest. If the borrowers went into arrears, the lenders were entitled to add outstanding interest to the principal sum and charge interest on the whole, at 45.619 per cent.

The borrowers quickly fell into arrears and surrendered possession on June 30 1986. The lenders sold the property for £12,000. Completion took place on February 27 1987. On September 4 1987 the lenders issued a writ against Mr Gibson, claiming damages for loss allegedly sustained by them in reliance on his negligent valuation.

They pleaded loss comprised of £19,912.96, being the "amount required to redeem the loan as at February 27 1987", £401.35 estate agents' fees, and £983.25 legal costs. Those sums, less the £12,000 sale proceeds totalled £9,297.56.

Liability was admitted in the County court and it was admitted that but for the valuer's negligence the lenders would not have made any loan to the borrowers. The sole issue was the measure of damages on the basis that, on a competent valuation the lenders would have made no loan.

About some of the figures there was no dispute. The lenders' outgoings included the £10,000, the £401.35 and the £983.25. On the other side of the account, the lenders had received £1,734 from the borrowers between February 1985 and April 1986, and £12,000 from the purchasers of the property.

The disputed ingredient was the £19,912.96.

The lenders arrived at that figure by calculating the amount of principal and interest outstanding, having regard to the initial 36.51 per cent rate, and the 45.619 per cent penal rate.

In the County court Judge Harris QC allowed the claim and gave judgment for £7,136.41 with interest and costs.

The valuer's case was that damages should have been assessed on the basis that the lenders were entitled to be placed in the position that they would have been in if they had received a competent valuer's report and had consequently made no loan.

He said damages were to be calculated on the footing that the lenders should (1) take credit for the £10,000, the £401.35, and the £983.25; and (2) give credit for £1,734 paid and £12,000 received on sale of the property; and that the lenders had for two years been deprived of the use of £10,000 which they would not have lent but for the negligent valuation.

In the court of Appeal Lord Justice Neill reviewed a number of authorities including *Baxter v Gapp [1939] 2KB 271* which had been successfully relied on in the County court. He concluded *Baxter* was binding and that the judge was right to assess the damages in the way that he did.

He then considered the case as if it were free from authority.

He began with the principle in *Livingstone v Rawyards (1880) 5 App Cas 25,39*, that damages should "put the party who has been injured ... in the same position as he would have been in if he had not sustained the wrong".

He said that where a client would not have lent at all but for the negligent valuation, a number of approaches to assessment were possible. One was that the lender could be awarded unpaid interest owed when the security was realised. That was the method adopted in *Baxter*.

But, said Lord Justice Neill, "to award damages on this basis is in effect to treat the valuer as the guarantor of the contract of loan". In the absence of authority he would have rejected that solution.

Other methods, he said, were to award a sum equivalent to what the money would have earned as interest on another loan, or on deposit or if invested elsewhere. Whether any of those methods suited a case would depend on the evidence.

Baxter was regarded by all three members of the Court of Appeal as authority for accepting the lenders' approach to the claim for interest.

In *Baxter*, (1) the trial judge calculated interest by reference to what the mortgagor had failed to pay under her contract; but (2) the appropriate rate of interest was never at issue between the parties or in the mind of the court. The real issue was whether the plaintiff could recover consequential loss.

Having regard to point (1), the case was almost by accident an authority for the proposition by which the Court of Appeal in the present case found itself reluctantly bound.

Baxter was not an attractive precedent. The approach seemed contrary to principle. The aggrieved party was entitled to be placed in the same position as if the wrong had not occurred, not to receive compensation for lost interest at the contractual rate.

The valuer's approach in the present case, and Lord Justice Neill's analysis, were correct.

What the lenders lost was the use of the £10,000 while locked up in the loan.

There was no cut and dry solution to calculating the amount of damages in cases of this kind. It depended on the evidence.

The lenders ought to have presented their claim on the basis that, if the valuer had advised properly, they would not have lent the money. Where they went wrong was to claim that the valuer deprived them of interest they would have received if the borrowers had paid up. The fallacy of their case was that they had been trying to obtain compensation for the borrowers' failure, not damages for the valuer's negligence.

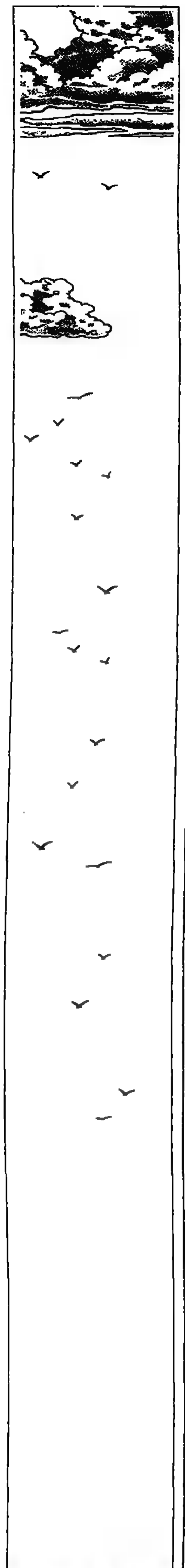
Taking £10,000, £401.35 and £983.25 on one side, and £12,000 and £1,734 on the other, the lenders were £2,349.40 in credit.

In the absence of evidence as to how the lenders financed the loan or how the money, if not lent, could have been profitably employed, 12 per cent interest was the proper rate at which to recompense the lenders for being deprived of their £10,000. Two years would yield £2,400, but one might ask whether it was reasonable for the valuer to bear liability to date of sale in February 1987, the property having been surrendered in June 1986. It was for the lenders to prove their case. They had not appeared. In the light of that fact and the figures, it would not be fair or sensible to remit the action to the County court for new assessment.

The appeal was allowed. Their Lordships agreed.

For Mr Gibson: Roger Toulson QC and Roger Stewart (Reynolds Porter Chamberlain). Swingcastle was not represented.

Rachel Davies
Barrister



BUSINESS AND THE ENVIRONMENT

Jamie Allen reports on measures by the Hong Kong government to reduce the colony's noise level

Looking for a quiet life

Hong Kong has been called many mysterious and laudable things, including Fragrant Harbour and Pearl of the Orient. It has never officially been named Construction Site, although this comes closer to what it is like to live in the cramped and frenetic territory than [illegible] euphemism [illegible] manage.

Walking along a footpath involves dodging jackhammers, crossing a road entails negotiating temporary wooden planks over works' sites, and living next to a new building site could well mean you [illegible] need worry about sleeping through your alarm clock.

But coming to terms with the problem of noise has been a long, slow struggle in Hong Kong. Unlike Japan, which enacted its first environmental laws in 1967 and a noise regulation law the following year, Hong Kong did not enact its first comprehensive Noise Control Ordinance until 1988 and construction activities did not come under control until 1989. (They are still not fully under control).

While Japan has banned the worst form of percussive piling – the diesel hammer – in Tokyo and several other cities, Hong Kong has chosen not to bring in sweeping regulations which rule out the use of specific pieces of machinery.

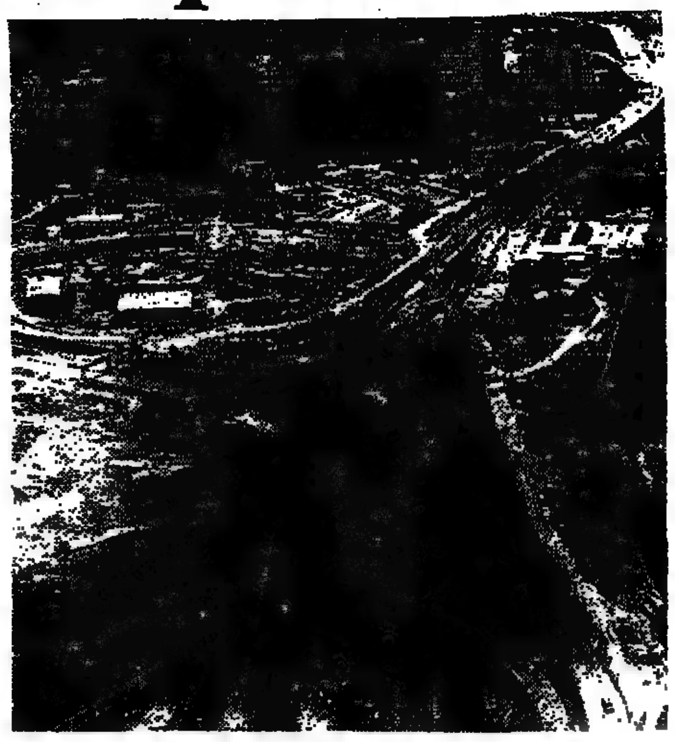
Usually pragmatic in its dealings with industry over environmental matters, the Hong Kong Government devised legislation which contained incentives for contractors to switch from the noisiest type of percussive piling (the diesel hammer) to quieter methods of both percussive and non-percussive piling.

Quieter percussive methods include the hydraulic hammer [illegible] the drop hammer, while non-percussive methods include hand-dug [illegible] (wells dug by hand into which [illegible]) [illegible] mechanically [illegible] piles (hollow columns made by drills which grind and/or [illegible] rock into which reinforcement is put).

The system, which was implemented in late 1989, offers percussive piling operators three kinds of daily permits – a three-hour permit for piling operations which are unacceptably noisy (those which exceed the accepted noise level for an area by more than 10 decibels); a five-hour permit for those which are moderately noisy (those which exceed the level by between one and 10 decibels); and a full 12-hour permit for piling operations which do not exceed the acceptable noise level.

An added incentive is that quiet piling methods are permitted to run all night, while the hours of operation for the three- and five-hour permits are not chosen to the convenience of the contractor, but by the Environmental Protection Department.

As time costs money and as [illegible] are



Contractors in Hong Kong are being offered incentives to keep noise levels to a minimum

tight in Hong Kong, the aim was to make noisy piling a frustrating, inefficient and uneconomic proposition. The [illegible] have brought [illegible] improvements [illegible] thinking and [illegible] of [illegible] industry in Hong Kong – it [illegible] encouraged some [illegible] the larger [illegible] quieter methods [illegible] piling and suppliers [illegible] Daido of Japan and [illegible] Britain [illegible] try to sell new and more sophisticated piling technology to the local market.

According to one of the largest local suppliers of construction equipment, China Engineers, the controls have also caused the sales of new diesel hammers to dry up in the last few years.

But statistics compiled by the Environmental Protection Department present something of a dilemma – the number of three-hour permits has not declined during 1990, meaning the incentive scheme is not working or at least not as quickly as it was intended to.

On Hong Kong Island and Kowloon, the two most built-up parts of Hong Kong and hence the most "noise sensitive", the combined number of three-hour permits in each quarter last year was, respectively, 60, 70, [illegible], 60. [illegible] Territories, the rural/new urban development part of Hong Kong, the permit numbers were 19, 23, 16, 12.

Even more discouraging [illegible] the fact [illegible] the [illegible] number [illegible] three-hour permits [illegible] [illegible] total number of five-hour and 12-hour permits [illegible]. But [illegible] Environmental Protection Department does not feel defeated by these statistics and believes contractors are going through a transition period. It will soon carry out a survey to ask contractors whether they are planning to use quieter methods.

Andrew Kwan Siu-hei, acting principal environmental protection officer in the Noise Control Group, said many of Hong Kong's contractors are small operators who are reluctant to change their work practices and reluctant to buy new equipment. "Maybe they [the small contractors] are used to the old technology. Better to let large contractors test new methods. I think sooner [illegible] later they will change," said Kwan.

Construction industry representatives say the issue is complicated and that the problem lies with Hong Kong's outdated building regulations. These regulations are enforced by another government department, the Buildings and Lands Department, whose record of co-operation with the Environmental Protection Department is less than good.

Although the regulations are about to be revised, so far they have undermined the [illegible] of the incentive scheme. Rod Buckell, technical manager with the piling company Franki Kier and chairman [illegible] the [illegible]mental committee of the Hong Kong Construction Association, said contractors would change overnight if the financial incentive was there.

The reason they did not was [illegible] an outdated formula governing pile [illegible] in the building regulations makes it cheaper to use diesel hammers rather than hydraulic hammers, which [illegible] be given a five-hour permit under the [illegible] Kong system. Contractors cannot simply switch to bored piles [illegible] every job [illegible] they mostly follow tender designs drawn [illegible] engineers and [illegible] the type [illegible] piling used depends on a number of factors, primarily cost, time, the size and type of site, and the weight of the building being erected.

"Qui[illegible] has nothing [illegible] do with [illegible] design of piling in Hong Kong. [illegible] paramount," said Buckell. There is one area, however, where the new piling controls are having a definite beneficial effect – the ability to pile all night with quiet methods. Buckell said this has made bored piling using new and sophisticated equipment more economic than it was before and has helped to loosen the hold percussive or "driven piling" has on the industry.

"By limiting the number of hours driven can work, bored is now economic," said Buckell. He estimates the permit system has increased the cost of driven piling (using steel piles) by about 10 to 15 per cent. But Buckell also asks, why use piles at all for the foundations of buildings?

The cutting edge of founda[illegible] these days in Hong [illegible] countries such [illegible] France, Germany [illegible] is a method called "deep compaction". The soil is compacted almost back into its rocky state by vibration using steel pokers or is pressed down under the impact of a heavy mass. It is useful for land reclamation work, of which Hong Kong will be doing a lot over the next 10 years, and at HK$15 (£1) per cubic metre it costs about half the price of piling.

Its main drawbacks are that it can only be done on sand – not on mud – and the height of buildings above is limited to about 11 storeys. Yet it is not hard to see that "deep compaction" could have wide application throughout Asia, especially in countries where earthquake problems limit the height of buildings, such as in Taiwan, or in developing coun[illegible] which do not need [illegible] build skyscrapers.

UK's new pollution inspector puts industry under scrutiny

John Hunt meets David Slater, who takes up the position next week

The job of policing new environmental controls over a large section of British industry will be taken [illegible] by David Slater, a consultant from the private sector. He succeeds Frank Feates, who is retiring as chief inspector of Her Majesty's Inspectorate of Pollution.

HMIP is implementing a new system of integrated pollution control (IPC), which some companies fear will require them to shoulder a heavy financial burden in order to meet the new standards. This programme commenced on April 1 and will be introduced in stages.

The engineering and chemical industries have been particularly concerned about the introduction of Batneec (which stands for the "best available techniques not entailing excessive cost"). It is the central part of the new system of pollution control.

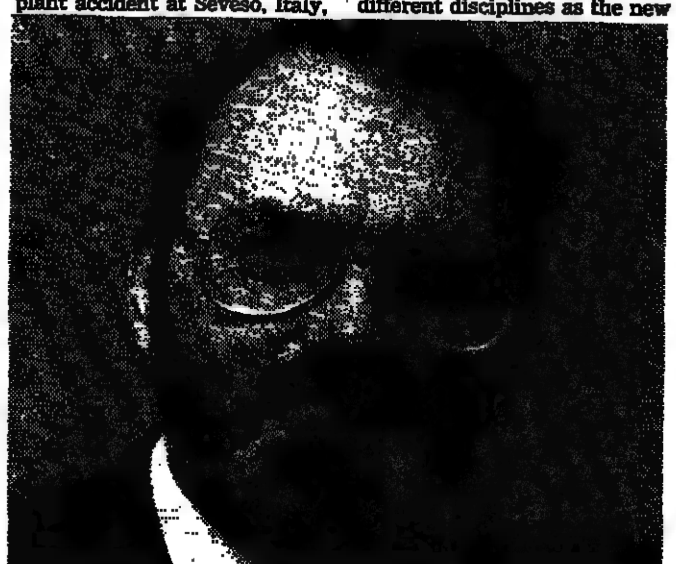
Big plants such as engineering and chemical works and refin[illegible] will be obliged to conform with Batneec by introducing tougher [illegible] over the next four years. Industry has complained that it has little information on what this will mean in practice for specific processes and has been alarmed that it could entail heavy capital investment.

But Slater believes Batneec should be seen as a positive way of improving standards so that environmental damage can be [illegible]. He [illegible] Batneec and [illegible] Environmental Protection Act as "very good conceptually, a great advance pointing the way that legislation will be going in the rest of the world".

He is also confident that the "green" message is getting through to business and industry. "In some of these big companies you are starting to see the effect," he says. "There is a big emphasis on management improving the safety of their processes. It is in the company's interests to be viewed as environmentally friendly. It is a big commercial advantage."

From experience, Slater has seen what [illegible] happen when things go wrong at large industrial plants. He is a founding [illegible] of Technica, consultant scientists and engineers, where he has worked on environmental studies and risk assessment. Previously he was with Cremer and Warner, consulting engineers.

He has been involved in studying [illegible] huge chemical explosion [illegible] Flixborough, Humberside, which killed 29 people in 1974, the chemical plant accident at Seveso, Italy,



David Slater: puts the emphasis on quality

the Union Carbide disaster [illegible] Bhopal, India, and a study on the Exxon Valdez disaster.

He believes that industry has learnt the lessons of these [illegible] and has developed [illegible] range [illegible] management tools such as risk [illegible], environmental impact assessments and environmental audits.

"There is no such thing as a completely pollution free or completely safe process. But you can minimise [illegible] risk through good design. There [illegible] been a big push towards quality in industrial processes. If you improve quality it is a safer company, a cleaner company and it makes a profit."

The UK Government has been under attack for failing [illegible] provide enough [illegible] and resources for the inspectorate to carry out its enhanced role.

[illegible] pollution [illegible] means that the branches of the old inspectorates covering pollution [illegible] air, [illegible] and land [illegible] been merged into one organisation embracing all [illegible] areas. There [illegible] been some in-fighting between [illegible] different disciplines as the new organisation settled down. There have [illegible] complaints that salaries have been inadequate [illegible] sufficient quality.

But [illegible] Government has now increased staffing and salaries and Feates will hand over the inspectorate to Slater in better shape than when he took over.

[illegible] believes that salaries, [illegible] to [illegible] for a new inspec[illegible] are now competitive with [illegible] industry. [illegible] jobs were [illegible] recently more than 600 applications poured in. "[illegible] are very encouraging signs," he says.

He is confident that morale has improved at the inspectorate. "It has to be professional, credible, competent and independent and I am sure it is going to be that way.

"There are a lot of very good inspectors out there at the sharp end. They have the industrial expertise and they know what the problems and practicalities are."

The inspectorate is to be given agency status so that it can operate more flexibly and [illegible] arm's length from [illegible]ment. [illegible] welcomes this: "It [illegible] a [illegible] evolution."

He [illegible] cautious, however, over suggestions that Britain might eventually need a powerful independent agency to act as a "green" policeman along the lines of the US Environmental Protection Agency.

In recent years Slater has been in charge of Technica's US operation and his experience has made him sceptical of importing the US model. He found the American system to be adversarial and believes the mechanisms now being introduced by the Government may fit [illegible] the British scene.

He emphasises [illegible] inspectora[illegible] is prepared [illegible] listen [illegible] the problems of industry but cannot take on the role of a commercial consultancy [illegible]ing companies. "That is not good [illegible] industry," he says. "They have to develop their own expertise."

On the one hand the new pollution control regime has [illegible] criticised by some sections of industry for being too tough. On the other it has been attacked by the environmental movement as [illegible] weak.

Slater is philosophical about this. "If you [illegible] your job properly you may end up being somewhat unpopular with both sides," he says. "But at the end of the day [illegible] public needs [illegible] rely on [illegible] credibility [illegible] competence [illegible] the organisation."

ARTS

Alastair Muir

Bridge in an Italian Landscape, c. 1653, by Dutch Italianate Adam Pynacker

Dutchman's dream of Italy

The [illegible] of [illegible] cal [illegible] proved irre[illegible] [illegible] of Northern landscape [illegible] inspired by [illegible] and [illegible] in the golden light [illegible] nity of [illegible] Roman [illegible]. [illegible] poetic handling [illegible] southern light was [illegible] a significant [illegible] on the Dutch painters [illegible] during [illegible] and [illegible]. It [illegible] influenced [illegible] stayed at home, [illegible] as Cuyp. The [illegible] of [illegible] Italianates [illegible] haps the most neglected aspect of the Golden Age of Dutch painting.

A small, predominantly loan exhibition at Richard L. Feigen & Co [illegible] Ryder Street, SW1, until June 7) focuses on Adam Pynacker. After Jan Both, and along with Nicholaes Berchem, he is arguably the most important of the second and most *interesting generation of Dutch* Italianate landscape painters. The show is the first devoted to him. It serves as a reappraisal and as a reminder of the enthusiasm for 17th century Dutch painting in mid-18th century Britain which was to have a profound influence on the course of landscape painting in this country, from Richard Wilson to Turner.

Pynacker's first biographer, Arnold Houbraken – his latest, Laurie Harwood, has curated this show – states that the artist spent three years in Italy. It seems likely that he was there 1645-48, and that he was travelling on his father's behalf as a wine merchant. The paintings [illegible] on his return are the results of remembered experience.

There are 11 paintings on show. With the Dulwich Picture Gallery's "Bridge in an Italian Landscape" of around 1653, we catch our first glimpse of Pynacker's mastery. The clarity of its unifying light is breathtaking. The low-lying sun illuminates the underside of the bridge, catches the water and spangles the slender-leafed long grasses, the tree trunks and hanging vines with silver and gold. The muleteer and goatherd, who strike up conversation on the [illegible] surrounded by their stock, [illegible] naturalistically grouped: the figures and the dog are [illegible] silhouetted against the bluish mountains beyond.

Already various elements of the Pynacker repertory are established: the serpentine con*tortions of the overlapping* trees (derived from Both); gnarled birch stumps invaded by fungi; and silver-tinted long grasses. An open, luminous sky around the light source fills one half of the canvas and acts as a foil to the dark woody hills of the other.

Pynacker is probably best known for the larger canvases he painted in Amsterdam in the 1660s, examples of which can be seen in the Wallace Collection (which cannot lend) and the Dulwich Picture Gallery. This small but delightful show, especially if augmented by visits to Hertford House and Dulwich, probably serves Pynacker better than an exhibition of 100 paintings.

*

Another Dulwich picture takes a bow at the National Gallery, in the first of its new series of *Brief Encounters* (until April [illegible]). The [illegible] explore [illegible] relationship [illegible] paintings closely related in technique, style and subjectmatter, one from the permanent collection and the other a loan. What better start than the Samson and Delilahs by Rubens and his disciple Van Dyck, the latter seen for the first time in Britain since its cleaning for the recent exhibition in Washington.

Mantegna's treatment of the subject is misogynous; Rembrandt's is brutal; Rubens, in contrast, allows Delilah a moment of reflection. The shorn hero is still asleep in her arms, the soldiers at the door. She looks down at her doomed *lover with an expression of tri*umph tinged with tenderness and a hint of regret. The pose of the two figures echoes a *pietà*.

Rubens painted this glowing, opulent and dramatic tour-de-force after his return from Italy, in 1609. A decade later, the 20-year-old Van Dyck borrowed the composition and reversed it. In every respect, his reworking of the subject makes for a disappointing contrast. Rubens's penetrating [illegible] is lost. He was to prove much better at [illegible] Van Dyck than Rubens.

Susan Moore

TELEVISION

Sexual taboos versus the human spirit

We see Betty Jones, who is 71, come up the stairs and into the bedroom, saying: "I was a domestic here 50 years ago – no, more than 50 years ago. I had this terrible pain, I can remember. I came up here and I thought 'I'll just get up on the bed'. I sat on the bed and I had this terrific pain, and out pops this baby, and I thought 'Where's that come from?' It was fixed to me by the cord and I thought 'I haven't got to go through life with that fixed to me, surely?' I didn't even know I was pregnant. I was petrified. The mistress comes in and she says 'You wicked girl, Betty, look at the mess you've made. You've got to pay for those sheets, you're not getting any wages'. Next thing I knew the ambulance men came and took me off to a mother and baby's home".

The astonishing thing about this is that Betty [illegible] not [illegible] delivering lines from an 18th century diary but a woman speaking to us from her own memory. We see her in Episode 3 of the BBC2 series *A Secret World Of Sex* which began last night and will continue for another five weeks. Once in a while a series turns up, usually documentary, which really does what the cliché says: opens a window on the world to reveal something which we may have heard about, but had never seen clearly before.

Betty Jones's recollection typifies the way in which *A Secret World Of Sex* achieves this. With a vividness and immediacy which is often enthralling, and all too frequently painful, it uses personal witness to lay before us the ignorance, guilt, fear and cruelty which surrounded virtually every aspect of sex for those who grew up in the first quarter of the 20th century. Again and again women who had never been told how pregnancy occurred ("I thought what he was doing was just the 'in' thing") explain how they attempted suicide rather than face the stigma of [illegible] illegitimate child. A woman who [illegible] raped when she was 14 tells matter of factly how she could not possibly explain this to [illegible] mother. She had [illegible] breakdown [illegible] ended up in mental hospital.

The [illegible] commissioned by [illegible] Bristol from the independent company Domino Films, but [illegible] moving spirit behind [illegible] Humphries. Eight [illegible] lecturer in [illegible] history at Essex University, [illegible] began the research work for a book. He says: "I was curious to find out how the old, narrow attitudes towards sex affected the lives of people brought up before the last world war. The taboo on sex amongst that generation is still so great that we know very little about their sexual experience. I decided that the only way to find out what happened was to ask them before it was too late."

So he did, and the interviews form a major part of his book, also called *A Secret World Of Sex*, which appeared in 1988 (Sidgwick & Jackson, £11.99). It contains many of the stories, photographs, and statistics which, as director/producer, he has now included in the BBC series. But what the book does not and cannot include is the tone of voice, the glint in the eye, the defiance of those who agreed to tell their stories for his cameras.

No doubt the very fact that they did agree proves that they are atypical: more self confident than most, a bit bolshie perhaps, in many cases remarkably brave, even by the standards [illegible] new [illegible] of supposed permissiveness. It must take considerable courage for a white haired lady in her seventies to describe in front of a film crew how her parents came home unexpectedly when she was with her boyfriend and "I had to push my knickers in my handbag". There is of course humour. Last night's opening programme included an account from Evelyn Nelson [illegible] of necking in a field of long grass when the farmer called a policeman who blew his whistle and demanded they come out: "It was like a football match, so many people got up".

However, some of these first person accounts are so appalling that it is difficult to go on watching. Yesterday's programme included the story of Edna Higginbottom, born in 1923, who was discovered by her grandfather to be having a sexual relationship when she was 15. He called the police who asked "Did intercourse take place?" and upon being told "Yes" hauled her into court where her grandfather said "Shut her away" and signed the necessary papers. She was promptly locked up in a mental home and kept there for 20 years. Nor was this particularly unusual, it seems: under the 1913 Mental Defectives Act, girls who brought shame on the family by consorting with men were routinely

'A Secret World of [illegible]': when innocence and ignorance went hand in hand

locked away.

There is nothing revolutionary or, these days, even very unusual about the way these programmes are made. My own shorthand for the technique is "World At War" because they employ the mixture of archive film, still photographs, and new interviews of those with good memories which was used so powerfully in the memorable Thames series about World War II. *A Secret World Of Sex* gains greatly from a model delivery of the commentary – in other words unselfishly unnoticeable – by Zoe Wanamaker (who recently gave such an outstanding performance [illegible] murderer's moll [illegible] with none [illegible] distracting [illegible] which Laurence Olivier [illegible] onto *The [illegible] At [illegible]*.

Each of the six episodes deals with a particular taboo: sex before marriage, pornography and prostitution, illegitimate babies, homosexuality, [illegible] violence, and VD. They [illegible] packed with memorable vignettes: [illegible] description [illegible] men [illegible] old Windmill [illegible] with [illegible] in chocolate boxes; Lady Marguerite Tangye's account [illegible] delights being aroused by debs in the backs of cars and then resorting to the lower class gels at the Bag O'Nails club for relief.

Some [illegible] than others, the most powerful of the lot being the third, "In Disgrace", which tells of five women, including Betty Jones, who bore illegitimate babies: "I felt like killing myself, but didn't know how to start" . . . "I was treated like an outcast" . . . "My mother [illegible] morning sickness and [illegible] 'Are [illegible] pregnant?' and I said 'What's pregnant?'" The wickedness [illegible] keeping young women [illegible] ignorance, and then persecuting them for [illegible] natural results [illegible] that ignorance [illegible] enough [illegible] you scream with anger. However sad today's one-parent family phenomenon, it [illegible] surely better than this hideous injustice.

But the [illegible] impressive [illegible] of the series is its collective strength. Together th[illegible] programmes manage to [illegible] just a graphic impression of the [illegible] of pre-war society, but a powerful sensation of how [illegible] must have [illegible] to [illegible] with all that guilty conscience, and terror, and victimisation. [illegible] to the self-righteous sermonising of the religious and the "purity league" members, [illegible] forceful reminder of how [illegible] would still like to drag [illegible] back into that [illegible] of [illegible] today. In the name of "innocence" the moralists want [illegible] television and push [illegible] people back into the dark. Yet [illegible] unlikely they [illegible] it. [illegible] heartening [illegible] this [illegible] the character of the people who agreed to talk to Steve Humphries. Of necessity they are in their seventies, eighties or nineties, [illegible] few of them look or sound anything like that old. Perhaps [illegible] enthusiasm for [illegible] keeps you young. Moreover, even allowing for the fact [illegible] they [illegible] by definition the bolder members [illegible] their generation, [illegible] is their obduracy which [illegible] so striking. [illegible] Europeans later [illegible] the century would survive [illegible] political totalitarianism [illegible] societies, [illegible] Britons outlasted [illegible] moral totalitarianism [illegible] theirs, showing [illegible] human spirit can withstand just about anything.

Christopher Dunkley

The Barber of Seville

BARCELONA

Michael Hampe's Cologne production of *The Barber of Seville*, seen at the Edinburgh Festival in its time and now in the hands of Hampe's colleague Kai Luft, has made its way to the Liceu in Barcelona, where I caught the last performance. The intimate, domestic style might have proved too low-key for this large and splendid theatre were it not for good team-work from a fine cast (alternatives for most of [illegible] principals) and notable support from the much improved Liceu [illegible] under [illegible] Olmi. Olmi's speeds were on the whole fast, riskily so when some of the soloists' runs threatened to turn into slides, but only the final vaudeville, which lost its lilt and sense of happy relaxation, was *damagingly* quick.

A major attraction was the appearance as Rosina of Cecilia Bartoli (sharing the role in Barcelona with Raquel Pierotti), the young mezzo whose recordings have made a great impression. In the theatre the volume is not so great as the records suggest, but the vivid impact, the personality, the rhythmic zest and the burnish on the tone are unmistakable. She recalled Conchita Supervia at Covent Garden before the war – the sound was quite small but every note, inflection, gesture, carried. As a comedienne Bartoli, with her expressive features, supple movements and sure timing, is a treat to watch.

William Matteuzzi, Bartoli's partner in a recent *Barbiere* recording, rightly played Almaviva's first scene (properly handled, one of the most effective and atmospheric openings in any opera) as a young gallant half-asleep in the cold early morning, uncertain of his welcome. Unfortunately the stiffness crept into his first aubade, but the second, the ravishing "Se il mio nome", was most delicately turned, with decorations in keeping with the sinuous windings of the tune. Matteuzzi is an agile comedian and a good ensemble player. Long-held high notes are on the way back, it seems. With this singer, no regrets.

Anthony Michaels-Moore's young, fresh and likable Figaro, his warm, vigorous baritone riding out into the theatre, reached the same high standard – no need, though, to outpace this conductor in "Largo al factotum". The Bartolo, Enrico Fissore, was gentle, restrained, almost self-effacing. In the midst of [illegible] the ripe and rusty Basilio of Nicolay Ghiaurov, with his imposing Slavonic bigness a potential cuckoo in the nest, was all the more effective for his restraint. He greatly pleased a packed house.

Ronald Crichton

On cracking form: Timothy Spall

The Government Inspector

GREENWICH THEATRE

A crooked red [illegible] topped by onion [illegible] and flanked by the paraphernalia of country life, including a barely visible stuffed ram, [illegible] the setting for this classic of the Russian [illegible] in a rambustious new translation by Ronald [illegible]. The ram is among [illegible], for Gogol's satire is [illegible] the stuffed [illegible] of local government; and here they are, in their Anglicised [illegible], with goatees and cheek puffs, quivering moustaches and great bristling beards to signify the rank, age and dignity [illegible] officialdom.

The Englishness of [illegible] Francis' production [illegible] beyond the characterisation [illegible] grubby local squirarchy to the [illegible] comedy in which they [illegible] involved. For all their hypocrisy [illegible] corruption, they are [illegible] with an [illegible] for the stereotypes they represent. Arthur [illegible] apoplectic judge and [illegible] O'Connell's mayor are awful, but [illegible] them; [illegible] Michael Burrell's timid, balaclava-clad [illegible] would pass muster for a Shakespearean mechanical, and Frank Moorey's bulbous charity commissioner is a dead ringer for Mr Bumble the beadle, from *Oliver*.

They are comic enough in the early whirlwind of conniving and kowtowing but the play tries to push them further than their constitutions permit them to go. When their stupidity has been revealed, and the mayor steps forward to implicate his audience, there is no frisson of recognition, no fidgeting in seats, because there is none of the cruelty that the satire demands. Even the incursion of the wronged populace, in a nightmarish apparition to the opportunistic Khlestakov, fails to make the leap.

The result is to pull the sting from the tale, leaving an empty space where the phony inspector has been, and making the announcement of the real inspector's arrival – by a state servant in gleaming Czarist gold – a mere textual formality. Matthew Francis' production lives through the performances of Timothy Spall and Bob Goody as Khlestakov and his servant Osip, a beaky scrimbleshanks of misdirected loyalty.

Spall, particularly, is on cracking form as a little Lord Fauntleroy gone to seed who stamps a chubby [illegible] crinkles a piggy snout as he fights to rescue his dignity from a greasy strand of hair, the relic of some foppish haircut, which [illegible] flopping forward over his face.

The spectacle of Khlestakov succumbing to his host's hospitality is a moment of inspired farce from an actor of vibrant originality. He [illegible] with a physical abandon that [illegible] him [illegible] drunkenly on the floor like a great [illegible] helplessly [illegible] on [illegible] back, while the assembled worthies look on in appalled admiration. For [illegible] I would [illegible] London.

Claire Armitstead

INTERNATIONAL

ARTS GUIDE

TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 Martin Kamminga [illegible] Elgar's The Kingdom with Amsterdam Promenade Orchestra. Tomorrow [illegible] Fri: [illegible] Chailly [illegible] Royal Concertgebouw Orchestra in music [illegible] Hindemith, Shostakovich [illegible] Laman (6718 345)

BERLIN

Deutsche Oper 20.00 Ballets by Béjart, Balanchine [illegible] Roland Petit (3410 249)
Staatsoper unter den Linden 19.00 Swan [illegible] (2004 [illegible])
Komische Oper 19.00 Joachim Willert conducts Christine Mielitz's production of C[illegible] and Pag. Fri: Der Freischütz. Sat: Bartered Bride. Sun: Idomeneo (2292 555)
Philharmonie Kammermusiksaal [illegible] Ensemble Oriol [illegible] orchestral music [illegible] Haydn, Shostakovich and Mendelssohn. (2614 383)

CHICAGO

Orchestra Hall 20.00 Seiji [illegible] Symphony [illegible] in [illegible] Eighth Symphony and [illegible] Symphonie Fantastique. Tomorrow, [illegible] Sun: Daniel Barenboim conducts Chicago Symphony [illegible] (435 [illegible])

COLOGNE

Opernhaus 19.30 Alberto Zedda conducts L'Elisir d'Amore with Alida Ferrarini as [illegible]. Fri: [illegible] Juliet. [illegible] Bride. [illegible] Götterdämmerung ([illegible] 8400)
Philharmonie 20.00 Nancy Argenta sings Mozart [illegible] in a [illegible] given by the Cologne Chamber [illegible] conducted by Hemlut Muller-Bruhl. Tomorrow: WDR Big Band. Fri: [illegible] arrangement of Handel's [illegible]

FRANKFURT

Jahrhunderthalle Hoechst 20.00 Netherlands [illegible] Ballet in [illegible] Balanchine, Hans van [illegible] others (3601 [illegible])

LONDON

MUSIC
Coliseum [illegible] *Philip Langridge* sings title [illegible] in Tim Albery's new production [illegible] Peter Grimes conducted by David Atherton, also Fri. Tomorrow [illegible] Don Giovanni (836 3161)
Royal Festival Hall [illegible] Singer-songwriters Al Stewart and Ian Matthews in concert. Fri: Andrew Davis [illegible] BBCSO in *Sibelius*, [illegible] *and Haydn*. [illegible] and Sun at 15.15: Edward Downes [illegible] symphonies. [illegible] at 19.30: Zubin [illegible] (928 8800)
[illegible] Elizabeth [illegible] Roy [illegible] Hanover [illegible] in [illegible] Haydn [illegible]. Fri: Schubert [illegible] Haydn programme [illegible] London [illegible] Chamber [illegible] (928 8800)
THEATRE
This [illegible] include Black [illegible], a new play by Keith [illegible] on Mikhail Bulgakov's [illegible] satirical novel [illegible] censorship in [illegible] theatre, in a production [illegible] by William Gaskill (National), [illegible] Jones, [illegible] lavish period [illegible] musical based on [illegible] opera (Old Vic), Matador, a [illegible] musical telling [illegible] rags-to-riches [illegible] Spain's legendary El Cordobes (Queen's), What [illegible] Butler Saw, [illegible] Orton's [illegible] comedy (Wyndham's) and [illegible] Hall's production [illegible] Twelfth Night, with Eric [illegible] Malvolio (Playhouse). [illegible] Theatreline: [illegible] 0836 [illegible] 0836 [illegible] Comedies 0836 [illegible] Thrillers 0836 430962

MADRID

[illegible] Nacional [illegible] Vaclav Neumann [illegible] Philharmonic [illegible] in first of [illegible]. Fri, Sat and Sun: Sergiu Commissiona conducts Spanish National Orchestra. Sat [illegible] 22.30 Vladimir Ashkenazy conducts Royal Philharmonic [illegible] (337 0100)

MILAN

Teatro alla Scala 20.00 Riccardo Muti [illegible] La traviata, with Tiziana [illegible] Roberto Alagna [illegible] Coni. [illegible] Fri, [illegible] and [illegible] changes (7200 3744)

MUNICH

Staatsoper [illegible] Michel [illegible] Werther with [illegible] led [illegible] Agnes [illegible] Araiza, [illegible] Sun. Tomorrow [illegible] John [illegible] ballet Onegin. Fri: [illegible] Giancarlo [illegible] production [illegible] Manon Lescaut, with [illegible] Anna Tomowa-Sintow [illegible] Dvorsky [illegible]
Philharm[illegible] 20.00 [illegible] Kobayashi [illegible] Japan Philharmonic [illegible] in Mahler's Fifth Symphony, with Ikuyo Nakamichi [illegible] in Chopin's First Piano [illegible]. Tomorrow and Fri: [illegible] Bavarian [illegible] Symphony Orchestra in Mozart's Posthorn [illegible] and Brahms' First Symphony. Sun at 11.00 Celibidache [illegible] Munich Philharmonic (48098 614)
Herkulessaal [illegible] **Residenz** 20.00 Gil Shaham plays violin sonatas [illegible] Richard Strauss, Brahms and Beethoven, accompanied by [illegible] Oppitz (346820). Tomorrow: piano [illegible] with Anthony and Joseph [illegible]. Fri: Ferenc Liszt Chamber [illegible] plays Telemann, Bach and Vivaldi. Sun: concert performance of Purcell's Dido and Aeneas conducted by Howard Arman (299901)

NEW YORK

MUSIC
Alice Tully Hall 20.00 Nadja Salerno-Sonnenberg accompanied by [illegible] Licad plays violin [illegible] Mozart, [illegible] and [illegible] (874 [illegible])
DANCE
Metropolitan Opera [illegible] and [illegible] American Ballet Theatre's [illegible] production [illegible] Coppélia. [illegible] runs till [illegible] 22 [illegible]
[illegible] York [illegible] Theatre [illegible] New York City Ballet [illegible] Spring [illegible] Martins' production of Sleeping Beauty. [illegible] runs till June [illegible], with further performances of Sleeping Beauty till [illegible] 5 (870 5570)
THEATRE
This [illegible] include a [illegible] double-bill [illegible] plays focussing on father-daughter relationships (Triangle), Gypsy, award-winning production [illegible] the [illegible] with lyrics [illegible] Stephen Sondheim [illegible] original choreography [illegible] (Marquis) and Lost in Yonkers, expert production [illegible] Neil Simon's heart-tugging play (Richard Rogers).
Ticketron (246 0102) [illegible] inquiries and [illegible]

PARIS

Opéra Bastille 19.30 Barbara Daniels sings title [illegible] in Robert Carsen's production of [illegible] with Vasile Moldoveanu as [illegible] Grieux. Runs till May 4, next performances Fri and Tues (4001 1616)
Salle Pleyel 20.30 Semyon Bychkov conducts [illegible] de Paris in Dutilleux's [illegible] Symphony [illegible] Brahms' First Piano [illegible] with Philippe Bianconi, [illegible] tomorrow [illegible] at 16.30 (4563 0796)
Théâtre [illegible] Ville 18.30 Une [illegible] Blanche, new ballet choreographed and [illegible] by Carlotta [illegible] and Herve Diasnas. Fri and [illegible] La [illegible] Fleurs, choreographed by [illegible] Doussaint [illegible] Isabelle Dubouloz (4274 2277)

ROME

Teatro dell'Opera [illegible] Jan Latham-Koenig [illegible] Lyon production of [illegible] Dialogues [illegible] Carmelites, [illegible] (463641)

STOCKHOLM

Konserthuset [illegible] Berglund [illegible] Philharmonic [illegible] in Brahms' Third Symphony, with Lynn Harrell [illegible] in [illegible] Cello [illegible]. Repeated [illegible]

STRASBOURG

Palais des Congress [illegible] Fischer conducts Strasbourg Philharmonic [illegible] in [illegible] for Orchestra, with Andrei Gavrilov [illegible] in [illegible] Djinns and [illegible] First Piano Concerto. Repeated tomorrow (8837 6777)

VIENNA

Staatsoper [illegible] Abbado conducts [illegible] cast led by Vladimir Atlantov, Marjana Lipovsek, [illegible] Kotscherga [illegible] Nicolai Ghiaurov, [illegible] Sat. (51444 [illegible])

Musikverein 19.30 Uros Lajovic conducts [illegible] of the [illegible] Musikhochschule in Mozart, [illegible] Rakhmaninov and Frank Martin. Fri: Jean-Claude [illegible] the [illegible] National [illegible] Lille. (505 8190)

European Cable and Satellite Business TV

(all [illegible])

[illegible] TO [illegible]
Eurosport
[illegible] report
CNN
0500-0530 Moneyline
0800-0830 Moneyline
1230-1300 CNN Market Watch
1330-1400 Business Day
2000-2030 World [illegible] Today - a joint FT/CNN production [illegible] day's [illegible] ness stories
[illegible] Today
[illegible]
Superchannel
[illegible] ness Report
A five minute [illegible] briefing [illegible]
0700 and 0800
[illegible] - 2250 [illegible] Financial Times [illegible] Weekly - [illegible] latest round-up of [illegible] news [illegible]
[illegible] & [illegible] (Thurs) Financial [illegible] Business Weekly
Sky [illegible]
[illegible] International [illegible]
2130 (Thurs) Financial Times Busi[illegible]

SATURDAY
CNN
0800-0830 [illegible]
0900-0930 World [illegible] Today - a joint FT/CNN [illegible]
1540-1610 Moneyweek
1900-1930 [illegible] Business This Week
[illegible] Money

SUNDAY
Superchannel
1800-1830 FT [illegible] Weekly
1930-2000 FT [illegible] Weekly
2330-0030 FT [illegible] Weekly
Sky News
1030-1100 FT Business Weekly
CNN
[illegible]
1540-1610 Your Money
1900-1940 Moneyweek
[illegible]

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Wednesday April 24 1991

New tax for councils

IT IS difficult to forgive the government for being engaged in a second complete overhaul of local authority finance almost 12 years after coming into power. It is not difficult to understand, however, since it made an appalling mess of the first attempt. The question is whether the second one is any better. The answer is "yes", but only within the limited terms of reference that the government has set for itself.

Brian Gould, the Labour party's shadow secretary of state for the environment complains that the government still cannot say "sorry". He is a little unfair. There in the consultative document on the new council tax is an apology, albeit a limp one, for the community charge. "The public," it admits, "have not been persuaded that the scheme is fair." There, too, can be found something more startling still, an apology from the Treasury: "The government," it acknowledges, "considered the relative shares of local expenditure financed from local and central sources, and concluded that the burden on the local element had become too great." How much more *glasnost* can you hope for, Mr Gould?

The proposal on local taxation looks like a final plan in consultative clothing. The principal question, therefore, is whether it is a reasonable one, or at least better than either the community charge or the old rates. It looks as though it is.

Sensible features

Each property is to be allocated to one of seven broad tax bands, with houses and flats being placed in a band, according to how their value relates to the average for all properties in England, Scotland and Wales. Furthermore, "couples living in properties in the same band anywhere in each country will face the same council tax bill (before any rebates or discounts) if their authorities spend at the standard level". Both features look sensible.

The detail of the proposed tax is subject to two main criticisms: first, that increases in tax bills are not proportionate to increases in the value of the properties; second, that it retains the head tax [illegible] in the form of the 25 per cent personal discount for single adult households. But once one has abandoned the myth that each individual adult must receive an individual bill, for the sake of accountability, the latter element is hardly defensible. If broadly based discounts are to be given, it would be better to relate them to other household characteristics, such as whether or not it contains pensioners or dependent children.

Nevertheless, this is not a bad tax, as domestic property taxes go. The fundamental objection is that it does not go far enough. This is to be the only tax local authorities are allowed to set and is to cover a mere 15 per cent of local authority current spending. Given this degree of gearing, the power to cap will be used extensively. Local authorities are to remain the government's poodles. They can bark, but only softly.

Attractive concept

This point is underlined by the consultative document on the structure of local government. It starts from the assumption that local authorities have little choice about what they are to do. "The government is committed," it declaims, "to develop the concept of enabling authorities." The concept is attractive, but the lack of choice for local communities themselves is not. Equally unattractive must be the planning blight that will now afflict much of local government, as the Local Government Commission wends its weary way through the structure of local government, area by area.

These proposals are, as everyone knows, about getting the government out of a hole that it dug for itself. Whether they can do so will become somewhat clearer after next week's local election. The government is certainly in better shape on the issue than it was. While the poll tax will be around at least until 1993, the levels will be lower and a less unacceptable replacement will be on the way. Perhaps it has even escaped the political problem of its own making. If so, this is not because it deserves to, but because a year is a long time in politics.

Rebuilding South Africa

THE LINK between South Africa's efforts to negotiate a post-apartheid constitution and the state of the country's economy is becoming increasingly important. The process of fundamental political reform is difficult enough at the best of times. It is especially hazardous when times are hard.

Now that the irreversibility of change in South Africa is so clearly apparent, the least western governments can do to improve the economic climate is to hasten the end of remaining sanctions. And the African National Congress (ANC), still fighting a last-ditch battle against repeal, should instead acknowledge that sanctions have achieved their purpose, declare victory and withdraw.

As President F W de Klerk has pointed out during his visit to London, the combination of population growth of 2.6 per cent a year, and an average annual growth rate over the last decade of 1.6 per cent, makes a grim backdrop to the constitutional process now under way in South Africa.

There is a danger that this process can be derailed by the violence that wracks the country; and while political tensions are at the heart of the fighting, there is little doubt that these tensions are exacerbated by poverty and rising unemployment.

Mr de Klerk is thus right to argue that economic growth and constitutional reform have to be mutually reinforcing. The lifting of sanctions combined with new investment is an essential condition to South Africa's economic recovery, which in turn is critical to growth in the whole region.

Conflicting signals

Unfortunately there continue to be conflicting signals from South Africa. Mr Nelson Mandela, deputy president of the African National Congress (ANC), due in London today, can be expected to persist in the ANC's view that it is too soon to lift trade and other embargoes against Pretoria, arguing that continued outside pressure is needed if Mr de Klerk is to fulfil his pledge to create a non-racial South Africa.

This argument held good until Mr de Klerk so convincingly demonstrated his commitment to reform. But by the end of June the last pillars of apartheid will have been repealed – the Group Areas Act, the Land Acts, and the racial provisions of the Population Registration Act.

Even if the government wanted to, it could not now rebuild apartheid. The internal pressures that brought about the system's demise – demographic changes, the growth of black trade unions, the increasing importance of black consumers, shortages of white skilled manpower – are as powerful as ever.

Meanwhile the new constitution for South Africa is slowly starting to take shape. The ANC's draft constitutional principles, published earlier this month, revealed encouraging common ground with Pretoria. Both parties propose a bill of rights, proportional representation, and a bi-cameral assembly.

Sticking points

On the face of it, the ANC demand that the constitution be drawn up by a constituent assembly, and its call for an interim government, are sticking points in the transition process. But there are signs that a compromise may be possible. Pretoria has indicated that once the multi-party conference, expected to convene later this year, has reached agreement on the principles of the new constitution, they could be placed before a multi-party conference instead of a constituent assembly.

And yesterday in London Mr de Klerk went some way towards meeting the ANC's call for an interim government, offering all main political leaders "a voice in the formulation of important policy decisions" during the period leading to a new constitution.

These developments should encourage the business community whose support Mr de Klerk has been seeking during his visit to London. Of course, Mr de Klerk must convince would-be investors that the violence that continues to scar the country will soon be brought to an end. But they can play an important part in bringing this about by taking an important role in the building of a new South Africa.

Car manufacturing in the UK is still set to expand, despite the immediate problems of recession, writes **Kevin Done**

Made in Britain, Japanese-style

The 1990s was supposed to be the decade of opportunity for the motor industry in Britain. But as one crisis meeting succeeds another this week, one could be forgiven for thinking that the industry is slipping back into the dark days of the late 1970s and early 1980s.

The chief executives of Rover, Ford of Britain, Vauxhall and Peugeot Talbot troop into the Treasury today to tell Mr Norman Lamont, the chancellor, of their deep concern at what they see as an attack on car manufacturing in last month's Budget.

Tomorrow union leaders have been called to talks with Mr Albert Caspers, Ford of Europe's director for manufacturing operations, amid speculation – strenuously denied by Ford itself – that the future of the US car maker's British assembly plants at Halewood, Merseyside and Dagenham in Essex, is again in doubt.

Yet the paradoxical fact is that more car assembly capacity is under construction in Britain than anywhere else in Europe. By the mid-1990s output is forecast to be more than double the crisis [illegible] of the early 1980s. As the Japanese car makers march in, component suppliers [illegible] previously shunned manufacturing in the UK are buzzing towards the honey-pot.

The script looked promising, but for the moment the plot appears to be going badly awry.

After five successive record years from 1985 to 1989 UK new car sales have fallen ominously. Registrations last year were down by 12.7 per cent – admittedly from a record level – and have plunged by a further 21.6 per cent in the first quarter.

Highly indebted car dealers – reputable groups as well as fringe operators – are collapsing into receivership and liquidation in worrying numbers.

Leading component makers are suffering sharply falling profits and [illegible] being [illegible]. "The current climate is hostile and in many of our [illegible] demand is [illegible] and uncertain," says Mr Colin [illegible], chairman of T&N, a leading UK auto components maker.

After five successive record years from 1985 to 1989 UK new car sales have fallen ominously

Truck sales are only half the level of two years ago and the slide into recession is sharper than any UK truck maker can remember in the post-war period. "Heaven only knows how some manufacturers are surviving," says Mr Peter Foden, chairman of ERF, the last publicly-quoted, independent UK truck maker. Most UK truck makers are running up big losses, and short-time working and redundancies have been the order of the day for more than a year.

Against a background of such immediate traumas Mr Derek Barron, chairman of Ford of Britain and president of the Society of Motor Manufacturers and Traders, Mr George Simpson, chief executive of Rover, Mr Paul Tosch, chairman of Vauxhall, and Mr Geoffrey Whalen, managing director of Peugeot Talbot, will seek to convince the chancellor that he has kicked the industry when it was already down.

As the economic cycle turned down, they had been looking to the government for support and encouragement in the attempt to make the industry a driving force again in the UK economy. Instead, in a Budget principally designed to extricate the government from the poll tax debacle, the industry was hit by higher value added tax – but no relief in the discriminatory special car tax – fuel tax increases and scale charge increases for company car benefits [illegible] level of inflation, and the imposition on employers of national insurance contributions on company cars.

The motor industry worries that the government is looking to it for a quick fiscal fix. Memories run deep of the 1950s and 1960s, when the government sought to regulate the economy in part through car hire purchase controls.

"The industry wants reassurance that this is not the beginning of it being used again as an economic regulator," says Professor Garel Rhys, [illegible] of motor industry [illegible]ics at Cardiff Business School and adviser to the Commons trade and industry select committee.

Above all the car makers are seeking a cut in the 10 per cent rate of special car tax. The industry argues that no other leading vehicle producing country in Europe singles out cars for such a discriminatory levy as the special car tax.

This year is probably already a lost cause for the industry – the latest forecasts suggest car sales will struggle to exceed 1.6m-1.7m units and truck sales could hit the lowest level for decades.

Nevertheless, the worst fears of the industry chiefs may well turn out to be only short-term; Britain could still prove to be one of the strongest growth areas of the 1990s in the world auto industry.

The current recession is certainly causing painful job losses beyond the labour force reductions of an industry seeking greater productivity and efficiency. But the deepest and most painful restructuring moves were already achieved in the 1980s.

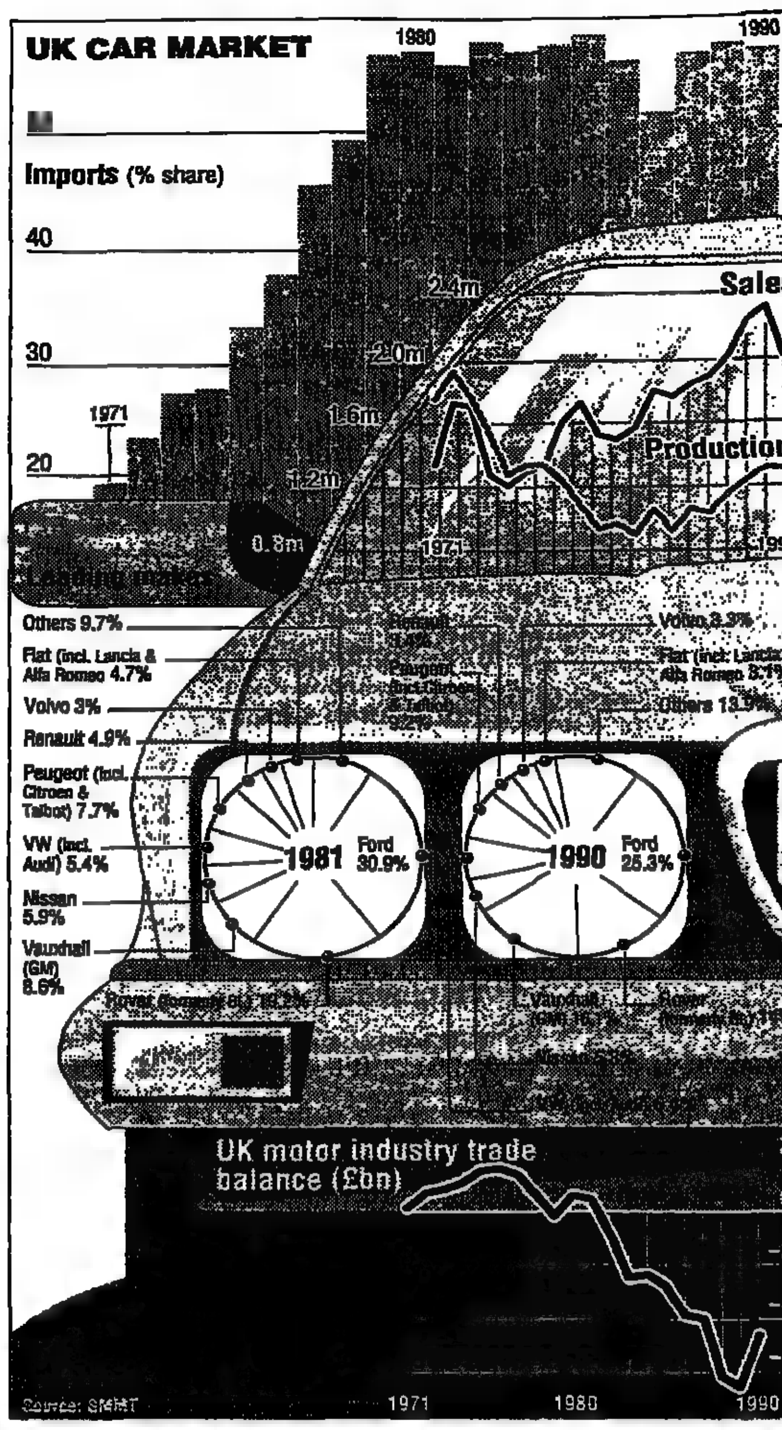
A report by the Institute of Manpower Studies showed that from 1980 to 1987 the UK vehicles and parts industry had shed 185,000 jobs, or 45 per cent of the workforce at the start of the decade. In the same period labour productivity rose 66 per cent.

Profits certainly fell last year at Vauxhall, Peugeot Talbot and Rover. At Ford of Britain, they fell sharply: the company was hit by industrial action last year and is now also carrying the heavy losses of Jaguar, the UK luxury car maker it acquired at the end of 1989. But that is a far cry from the sea of red ink in which the industry fought to stay afloat a decade ago. It is altogether leaner and fitter now.

"The UK is probably top middle in productivity in Europe," says Prof Rhys, "way behind Germany, probably behind Spain, but perhaps ahead of France. But what saves the UK is its relatively low wages. With middling productivity and the lowest wages, the UK has one of the best cost bases in Europe."

Wage costs in the UK motor industry last year were the lowest among all the world's leading automobile-producing countries, according to statistics compiled by the German Automobile Industry Federation (VDA).

Some assembly capacity in the UK still has to be closed – most notably part of Rover's Cowley, Oxford plant – but the accent in the 1990s, at least in the car and components [illegible] should be firmly on expansion.



According to Prof Rhys an optimistic forecast would suggest a leap in UK car assembly capacity from 1.7m in 1989 to 2.7m-2.8m by the end of the decade.

It is the motor industry in Britain that will be growing, however, not the British motor industry. In terms of ownership precious little of the latter remains. What is transforming the sector's prospects is the wave of inward investment by Japanese car makers into the UK.

The decisions by Nissan, Toyota and Honda to begin car production in the UK appear to guarantee that output in the second half of the 1990s will exceed 2m cars a year, more than double the level of the first half of the 1980s, and the build-up of production promises eventual relief for the sector's chronic trade deficit.

To Mr Jacques Calvet, chief executive of France's Peugeot group and philosopher-king of the lobby to restrict Japanese car sales in Europe, the UK is fast becoming a "Japanese aircraft carrier off the coast of Europe," and "Japan's fifth-largest island".

The alarming trend of UK car sales, imports and production in the 1970s and 1980s explains at a glance, however, why the government has welcomed Japanese car makers to Britain so enthusiastically.

Since 1983 the UK balance of payments has shown a deficit on manufactured goods – and the motor industry has played a key role in the slump. The motor industry trade balance has deteriorated sharply since the end of the 1970s and been firmly in deficit since 1982. In recent years it has accounted for close to a third of the total UK visible trade [illegible].

The first [illegible] came last year, as the [illegible] fell to £4.6bn from £6.6bn in 1989. The biggest factor in the improvement was the impact of the recession, however, which cut imports as new car sales fell.

Now there are also the first signs of structural improvement, as UK car exports begin to grow appreciably. Export programmes by Vauxhall, Ford and Peugeot have been important. But for the first time exports by Nissan are also having a significant impact and this year Nissan begins to export cars to Japan from the UK.

The drama of the fluctuations in the fortunes of motor manufacturing in the UK can hardly be overstated.

From the early 1930s to 1955 the UK had Europe's largest motor industry. It is currently ninth in the world production league and fifth in Europe behind West Germany, France, Italy and Spain.

In 1968 when the UK-owned industry combined its forces to form the British Leyland Motor Corporation, the company accounted for [illegible] per [illegible] of UK new car registrations. Today the rump company that remains from British Leyland, Rover Group, is [illegible] per cent owned by Honda of Japan, and last year it held 14 per cent of UK new car sales.

Compare that with the rise of the Japanese. Back in 1952 Nissan was producing Austin cars in Japan under licence from Austin Motor, and Honda did not even market its first car until [illegible]. It now appears a racing certainty that by the second half of the 1990s Japanese car makers will account [illegible] for about a third of UK car production of about 2m units a year.

Another third may be European-owned with Peugeot of France producing at Ryton, Coventry, possibly with an enhanced capacity, and Rover Group at least nominally UK-owned. Rover is already importantly dependent on Honda technology, however, in addition to its minority ownership.

The remaining third of the UK car production [illegible] will be US-owned, with Ford also controlling Jaguar and Aston Martin and General Motors (Vauxhall), Lotus.

With total planned investments of more than £1.8bn the Japanese are now committed to closing the yawning gap between UK car production of 1.296m last year and domestic car sales of 2.009m:

- Nissan will build more than 200,000 cars a year at its £700m Sunderland plant by 1992-93. Output [illegible] 76,000 last year and is expected to [illegible] 120,000 this year with 80 per cent earmarked for export. Nissan is also investing in UK R&D facilities.
- Toyota is committed to building 100,000 cars a year by late 1995 rising to 200,000 cars a year by 1997-98 at Burnaston, near Derby, but this timetable could well be brought forward. It is investing £840m in car assembly and engine plants.
- Honda is committed to building 100,000 cars a year by 1994 at its £350m Swindon assembly and engine plant. Rover is producing up to 40,000 Honda Concertos a year at its Longbridge Birmingham plant.

Nissan has indicated its ambition to expand to a capacity of 400,000 cars a year by the late [illegible], and both Toyota and Honda are expected to expand significantly beyond their present publicly [illegible] targets.

The next time a chancellor attacks the UK motor industry, the deputation on his doorstep may well include Nissan, Toyota and Honda as well as Ford, Vauxhall, Rover and Peugeot.

Talent time-bomb

■ South Africa's President F.W. de Klerk may make many boasts about his country. But one thing that should bother him is the surprisingly large numbers of ex-South Africans now holding positions of influence and power in the City of London.

Their loss to South Africa represents a time bomb that won't be defused until it properly develops the talents of its majority population. Its 5m whites compare with Australia's 17m and Canada's 25m. Yet neither of the other two anywhere near match South Africa in supplying UK institutions with senior abilities.

Besides the famous Sir Michael Edwardes, they include Sir Sydney Lipworth (chairman of the Monopolies and Mergers Commission) and Sir Mark Weinberg (former chairman of Allied Dunbar). The latter pair, both lawyers, are old boys of Johannesburg's King Edward VII school.

Among the next generation are Eurotunnel's Sir Alastair Morton, Morgan Grenfell's chairman John Craven, and Schroders' Win Bischoff.

If one counts Zimbabweans as well, there is Andrew Tuckey, chairman of Baring Brothers. Simon, his elder brother is a QC and chairman of the the review panel of the financial reporting council, and younger brother James, is managing director of MEPC.

There are numerous reasons, political besides financial, why such people come to the City. But why South Africans make better businessmen than Canadians or Australians would call for a doctoral thesis.

Moreover

■ Humphrey Harrison is a young stockbroker on the make, and good luck to him. He has just set up a consultancy called Europe Energy Environment, and managed to recruit some impressive names for its letterhead.

Dr Rilwanu Lukman, immediate past-president of Opec; Tom Burke, one of Michael Heseltine's special advisers; Professor Eugene Khartukov, the Soviet energy adviser; and Silvan Robinson, an ex-Shell man and now with Chatham House, all have much more distinguished backgrounds than the 34-year-old Harrison, ex-Kitcat & Aitken.

Can his coup in recruiting them have anything to do with his being yet another South African?

Morse code

■ Sir Jeremy Morse, chairman of Lloyds Bank and host for yesterday's Wincott financial journalism awards, dislikes and hates gossip. Which is all very sad, since if Sir Jeremy, fellow of All Souls, were ever to put pen to public paper he would be able to shed more light on the City than most of the distinguished Wincott award winners over the years.

But Sir Jeremy, who has headed Lloyds since 1977, is one of the old school of bankers who believes in reticence. He learnt his trade at the nod and wink school of Glyn, Mills & Co where no one ever seemed to write notes. He remembers being taken to see Lord Hampden at Lazards where nothing of consequence was talked about. Hence, he was quite surprised when his colleague turned to him after the meeting and said it had been "extremely useful".

Increasing openness in the City, he said, had led to loss of status by the Bank of England compared with the Treasury, because in the old days the Bank had been able to give the impression that it knew an awful lot of important things that it could not possibly discuss. Perhaps this had something to do with the Bank having Reuters screens before the Treasury.

All this has changed with the rapid growth in financial journalism and Sir Jeremy was surprisingly complimentary about the contribution of the fourth estate. But then you can afford to be when you know an awful lot more secrets than the media.

OBSERVER

"Work hard, and one day you'll be Prince of Wales."

Goodbye Ojai

■ Kleinwort Benson must be ruing the day it ever heard of Kenneth McCormick and Ojai. Until a year or so ago, McCormick was one of the darlings of the Kleinwort Group and Ojai(pronounced O-hi) was best known as a Californian shangri-la – a small town with just one traffic light and a music festival.

An American banker who rose fast up the swinging Californian banking tree, McCormick became treasurer of First Interstate of Los Angeles while only just into his 30s. There he became adept at the swaps business, and was hired by Kleinwort to set up and run their fledging US swaps operation in 1985.

A tall, soft-spoken man with a sharp eye for the market, he quickly turned it into a success. The business flourished, earning Kleinwort several million dollars a year. But like many Californians, McCormick was also interested in the venture capital business, and persuaded Kleinwort to help finance a new investment vehicle, Ojai Capital, which would specialise in funding business start-ups and real estate projects.

At the time, Kleinwort said the financing "had been negotiated on an arm's length basis" and it considered the transaction "to be in the best interests of the group and its shareholders." Some $23m later, McCormick is out of the door with a promise that Kleinworts will not try and sue him.

It all smacks yet again of a fringe player trying to buy into a market it should never have got into in the first place.

No confidence

■ What on earth is the world coming to? Britain's Inland Revenue seems to have lost faith in the integrity of the Royal Mail. The powers that be at Somerset House have felt it necessary to issue Form CPS1 on the security of cheque payments, which is an effective vote of no confidence in Britain's postal system.

The Revenue notes that cheques sent by post may be stolen "before they reach us." It recommends tax payers to use the bank giro, electronic funds transfer, or pay by cash at the local Post Office. If you do insist on sending a cheque in the post, and it is lost, you may become involved in lengthy inquiries.

Next excuse, please.

Big deal

■ Sign on a flower stall in a London street market: "Buy a potted plant and we'll give you the earth."

From central planning [illegible] market economy

East Europe should learn from Asia

By S Stanley Katz

East European countries engaged in the heroic change-over from centrally-planned to market-driven economic systems have been getting most of their advice from the west. They would do well to look to Asia as well.

Advice to eastern Europe from western experts largely follows classical economic lines: free prices, remove subsidies, open your economies to international trade, make your currencies freely convertible, privatise the state-owned companies, invite foreign investment, close inefficient plants and retire redundant workers. This, the experts acknowledge, will involve some [illegible] – higher prices, unemployment, lost income, and more foreign debt and servicing. But these are short-term and will be more than offset by the longer-term benefits that accrue from free markets. They urge, therefore, that their recommended reform package be adopted quickly and in full, while supporters of economic change still hold the high ground.

Initially, [illegible] Europe's [illegible]nomic reformers assumed that advice about markets from advisers schooled in market economies could not be wrong. More recently, however, the first rush of enthusiasm for a cold-turkey approach to reform is fading. Euphoria over economic emancipation is giving way to a more hard-headed assessment of the people and institutional deficits that will have to be cleared before eastern Europe's economies can survive – much less compete in a free-market world.

The deficits are formidable: most of the basic skills and institutions needed to make a system work – double-entry book-keeping, personal property rights and a commercial banking system, to name a few – do not exist. Industrial equipment and technology are, by western standards, obsolete. Few companies can estimate their net worth or unit production costs, or judge what they could produce competitively – information all serious foreign investors would [illegible] on. Arching over these deficits are the problems of severe environmental degradation, long-neglected infrastructure and the virtual disappearance of the region's pre-war ethic.

Increased awareness of their [illegible] internal weak[illegible] together with doubts [illegible] continued public support for a reform process [illegible] involves hardships of unknown magnitude and unpredictable duration, [illegible] raising second thoughts among eastern Europe's leaders about the wisdom of exposing their still-frag[illegible] democracies to [illegible] amounts to an economic free-fall. Other factors have surfaced as well that reinforce the need for a second look. The recent rout of agricultural subsidies by the General Agreement on Tariffs and Trade and the continuing row between the US and Japan over market access, for example, suggest that the free-market approach recommended for eastern Europe is honoured as much in the breach as in the observance by the market-orientated countries of the west.

[illegible] further discovery is that the path to the market being urged on east European countries is substantially different to that taken by countries that have most recently successfully navigated the course from economic backwardness to world-class competitors. These, of course, are Asia's Newly Industrialised Countries (NICs): Korea, Taiwan, Hong Kong and Singapore.

Many cultural, political and social differences separate east Europe from east Asia, and comparisons should not be pushed too far. But in terms of how to go about transforming [illegible] backward [illegible] an efficient, competitive one, there is much common ground and many lessons to be shared. A few examples of the differences in the approach recommended to eastern Europe and the way that NICs, and earlier, Japan, went about the work of economic reform and restructuring are perhaps instructive:

● Industrial strategy and support: Neither Asia's NICs nor Japan entrusted to the market, or to foreign investors, responsibility for deciding which of their industries would prosper and which would fail. On the contrary, they formulated industrial strategies based on [illegible] market developments [illegible] which [illegible] their [illegible] industries" could be expected [illegible] carve [illegible] a competitive niche in world markets and which could not. For the first group, they provided protection from import competition as well as export [illegible] relief and [illegible] financial help to bolster their growth and competitiveness.

> **Common to Asia's and eastern Europe's restructuring efforts is the need to enlist public support for reform**

To [illegible] that the [illegible]ciary industries would not become protection-dependent and would become internationally competitive over time, fiscal support was provided on a declining scale. At the same time companies in uncompeti[illegible] or declining [illegible] were helped [illegible] diversify [illegible] phase out, and workers [illegible].

Eastern Europe, after 40 years of disastrous economic planning, understandably eschews all forms [illegible] central planning, including Asia's market-directed, indicative type. The same attitudes carry over to the question of transitional help for industries trying to adapt to market forces. While these attitudes are consistent with a free-market philosophy, Asia's [illegible] doctrinaire approach might save some east European companies that with reasonable transitional support could adjust to a market environment, but without it would likely go under – taking jobs and income with them.

● Exchange rates: Asian countries have used exchange rates as an important tool of economic policy. As typified by Korea and Taiwan, exchange rates were set to encourage exports and savings and discourage imports. Only after exports had penetrated big overseas markets – and they had amassed large reserves in the process – did these countries agree (reluctantly) to a revaluation of their currencies.

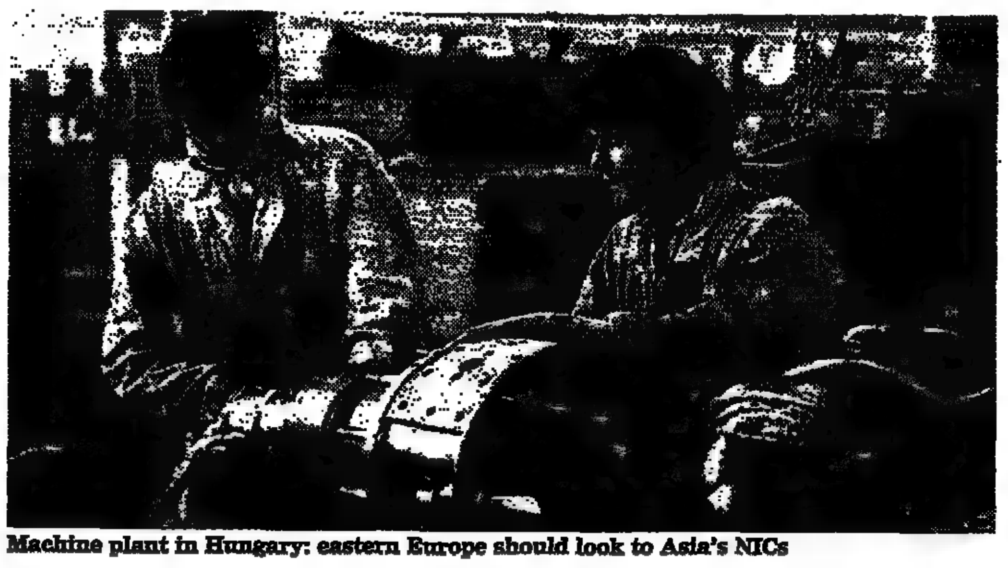
East European countries are being advised to do the opposite: let the market determine the volumes of imports and exports and, by default, set the market-clearing exchange rate.

● Foreign investment: Japan earlier, and the NICs more recently, have acquired much of their technology through licences, franchises, market-sharing arrangements and reverse engineering (Asian for "pirating"). They wanted knowledge and technology, not foreign partners, and foreign equity investment was (and is) not actively encouraged. During Japan's first period of modernisation in the 1860s, Japan imported European bankers – but not their banks – to help create a domestic banking system. When enough Japanese had learned to be bankers, the foreign advisers were sent home. The NICs have adopted an essentially similar technique.

● Price liberalisation and subsidies: Prices in Asia's NICs are nominally set by market forces. But key prices may be adjusted further by fiscal means (tax rebates, tariffs, duties, subsidies) to ensure that the buy/sell, save/invest signals they emit conform to national priorities: high savings and investment rates, aggressive exporting and relative self-sufficiency in food. It is incongruous that while east European countries are being urged to let market forces determine their domestic prices, there is no market price for imported rice in Japan – because there is no imported rice; and agricultural prices in the US and Europe are influenced as much by national budgets as by market forces.

A final consideration. It is axiomatic that public support for economic reform is inversely proportionate to the distress it causes. Common to both Asia's and eastern Europe's economic restructuring efforts is the need to enlist and maintain public support for the reform process. Asia's NICs have demonstrated that it is possible to achieve market-driven economic restructuring [illegible] incurring unacceptably high economic and social costs. Eastern Europe's economic reformers might find it rewarding to take a closer look at Asia's experience.

The author was vice-president of the Asian Development Bank from 1978 to 1990 and is currently a consultant to the European Bank for Reconstruction and Development.



Machine plant in Hungary: eastern Europe should look to Asia's NICs

Market-based capital requirements

Prescription for a financial ailment

By Paul J Collins

Imagine gears clashing, the engine sputtering and the car stalling. That is the picture some observers paint of the credit crunch and its impact on the US [illegible] "[illegible] flowing again," [illegible] *seem the remedy*. If bank capital requirements stand in the [illegible], reduce them, so that banks can lend again.

Such a prescription makes no sense. It is the wrong response to the wrong issue. Less capital is not better. Nor is more capital. What is needed is a franchise that will improve banks' ability to attract capital and capital requirements that are market-based.

The so-called credit crunch is no reason to reduce bank capital requirements. Borrowers with the same prospective cash flows and financial ratios as a year ago are getting credit, either from banks or in the capital markets. For them there is no credit crunch.

The problem is that borrowers by and large do not have the same financial ratios as they did a year ago. The recession has reduced their cash flows. Consequently, the risk of lending has increased. Companies rated A a year ago and B today are finding it difficult to obtain the same amount of credit at the same rate as they did a year ago. This may be a "credit crunch", but, if so, it is more a symptom than a cause of the recession. To imply that banks should be supplying credit to such borrowers as if nothing had changed is in effect a recommendation that banks should be less prudent. That is unlikely to do either the economy or the banking system any good.

The remedy for recession lies elsewhere. Political uncertainty contributed to the downturn; its removal via the swift victory in the Gulf will contribute to the upturn. Further stimulus has come through monetary and fiscal policy. Most forecasters now expect the recession to end sometime this year. This should spell the end of the credit crunch.

To perform their function as financial intermediaries banks need a franchise that will attract capital. Such a franchise would allow banks to branch freely and to offer customers [illegible] full range of financial services, including securities and insurance as well as deposit-taking and lending. This allows banks to diversify their sources of income, to make more efficient use of their distribution systems and to real[illegible] economies of scale. The EC has given [illegible] banks such [illegible] franchise through the Second Banking Directive. The US and Japan [illegible] lagging behind, although adoption of the recent US Treasury proposal would help close that gap.

The purpose of bank capital requirements is to limit the risk that a bank will fail. To do so efficiently such requirements should be market-based. This means putting investors in debt of banks (and of companies, such as Citicorp, that own banks) at risk so that they will exercise market discipline over the bank, and it means relating required capital ratios to the market risks a bank assumes.

If investors in a company's debt believe that they are at risk when the organisation becomes illiquid or insolvent, they will effectively control the level of capital that the organisation must maintain. As the perceived level of risk increases, [illegible] gen*erally (and quickly) reduce the* amount of funds that they are willing to provide and/or demand ar[illegible] in the rate of return. To [illegible] the company must take steps to improve its equity ratios.

Citicorp's own experience is a case in point. During the past year investors and rating agencies perceived that the risk of Citicorp paper had increased. As a result, Citicorp had to pay higher rates for certain types of funding and it encountered some difficulty in placing as much paper as it would have liked. We responded by initiating a programme to increase our total capital by $4bn to $5bn over the next three years. The first tranche of the capital increase has come through the issuance of $1.25bn in convertible preferred stock. A second tranche will come through the sale of non-strategic businesses. The rest should come through retained earnings; to this end we aim to pare costs by $1.5bn a year while retaining our revenue momentum. With tight control over asset growth, this capital-building programme will improve Citicorp's capital ratios.

In designing capital regulation, policymakers should preserve such market discipline. *This entails limiting the guar*antees that the government provides to depositors or creditors of banks and companies that own banks. Fortunately, both the US and the EC seem ready to do so. The US is discussing ways to limit insurance of bank deposits, and the EC seems determined to keep coverage low.

However, limiting guarantees is only the first step. Capital requirements should be imposed on the bank (but not on companies [illegible]t own banks) [illegible] these requirements [illegible]ould [illegible] expo[illegible] market risks, such as interest rate risk, exchange [illegible] risk [illegible] credit risk. The bank's exposure to each risk is its net position (after due allowance for netting, hedging and diversification) times [illegible] likely movement in [illegible] risk factor, such [illegible] the level of [illegible] rates. The bank's [illegible]all capital requirement [illegible] be the sum of the requirements for [illegible] risk, [illegible] an allow*ance* [illegible] *fact* [illegible] *some* risks (such [illegible] interest and exchange rate risk) may themselves be negatively correlated.

Elements of this market-based approach are present in the EC's proposed Capital Adequacy Directive (CAD). This directive would apply to non-bank investment firms and to the trading book of banks. For the bank's trading book, the CAD would replace the 8 per cent Basle ratio with separate requirements for credit risk, interest rate risk and exchange rate risk. The CAD holds the promise of establishing a capital regime that will protect both bank and non-bank investment firms while creating a level playing field on which the two would compete.

In sum, the credit crunch will pass. Bank regulators need not act. But they must act to give banks a franchise that will attract capital. And they must act to make capital requiremen[illegible] market-based.

The author is vice-chairman of [illegible]

LETTERS

The warnings of a coming slump

From Professors Wynne Godley and Bob Rowthorn.

Sir, Your leading [illegible] ("The New Consensus", April 20) is incorrect when it states that, in [illegible] with 1981, there "have been no howls of complaint" from the universities about unemployment.

We, together and separately, have been warning for at least the past 18 months that the British economy was heading for a slump.

In particular, we pointed out last July, in an IPPR pamphlet entitled "Britain's Economic Problems in [illegible]" [illegible] would be a strategic error of colossal magnitude to join the ERM in anything like the existing exchange rate.

If Britain did [illegible], [illegible] pre[illegible] that unemployment would eventually [illegible] to well over 3m with severe long term consequences.

These warnings and forecasts have subsequently been repeated on a great many occasions. For instance, in the New Statesman on January 18, we predicted a much larger and longer fall in output than other forecasters; in a post-Budget review we forecast that unemployment would rise to about 3.5m by the end of 1992.

And contrary to what your leader suggests, these forecasts were accompanied by carefully argued, and strongly expressed, [illegible] which explicitly disputed the proposi[illegible] "macroeconomic policy cannot target real activity".

The Treasury has won no argument. Over the years it has made one wildly wrong forecast after another and, as a consequence, has undertaken policies which have already had extremely damaging short run and structural effects on the British economy.

It is dangerous that the British establishment should only admit one way of thinking to be worthy of consideration at any given time, however wrong it has been in the past and however much the orthodoxy changes.

At the same time it engages in a conspiracy of silence with respect to the expression of fundamental disagreement.

In our view, the scale of the present downturn has, even now, not been properly appreciated. And we strongly dispute that there is nothing which can be done to stem the débâcle.

Wynne Godley and Bob Rowthorn,
University of Cambridge,
Austin Robinson Building,
Sidgwick Avenue,
Cambridge

Britain's legacy from neglecting education

From Prof M. Desai.

Sir, It was disappointing to find Samuel Brittan (Economic Viewpoint, April 18) endorse the vulgar [illegible] qualifications are unnecessary. It has [illegible] long-standing English practice [illegible] denigrate formal training by pointing [illegible] genius who made it to the top without such training. But for every Isambard Kingdom Brunel who got to the top a thousand 16-year-olds are left without hope of qualifications either from school or at work each year. That neglect of edu[illegible] is at the [illegible] of [illegible] structural problems is not merely [illegible] view [illegible] party.

Mr Brittan [illegible] takes the sta[illegible] ne[illegible]ssical position that all things, goods or services, are equal with production and that manufacturing should have no special status. However, if you think in terms of tradeables and non-tradeables, manufactures are more tradeable than services, and while it is conceivable that an import bill of any size can be financed by income on invisible account or capital inflow it is not very likely. The problem [illegible] that for Britain [illegible] finance its import bill without a [illegible] manufacturing sector will require either a drastically devalued pound, a very high nominal interest rate or a large number of unemployed. Economic policy is about the art of the reasonably probable and [illegible] merely the remotely possible.

M. Desai,
professor of economics,
London School of Economics,
Houghton Street, WC2

Wealth in home-ownership should be welcomed

From Mr James Hanshaw.

Sir, I find the concern in your editorial ("Housing and inflation", April 16) over equity withdrawal both complex and perplexing. Given that your fellow countrymen reside – according to EC statistics – in the poorhouse of Europe, one would have assumed the relatively recent ability of British house-owners to utilise prior to death what little wealth they have been able to accumulate would be welcomed.

The more so since some of that equity withdrawal has been used to finance management buy-outs and other productive investments. Nor should equity withdrawal from housing cause inflation through increased demand [illegible] consumer and other goods since there is an adequate supply of foreign manufactured goods competing [illegible] meet that demand.

The resulting trade deficit problems will only be solved by producing more of [illegible] goods in this country [illegible] meet home market requirements. Similarly, the home-grown inflation of house prices will only be solved when there is sufficient supply [illegible] housing for purchase and rent available to meet demand.

The wholesale suppression of the housebuilding industry over the past two years by inflation fuelling high interest rates which you have often supported will simply cause house price inflation yet again in the future.

Taxation neither in the form of relief nor additions will not solve your problems nor will reducing the already low level of wealth of the British people. Until you recognise that inadequate supply is the main [illegible] of the inflation problem you are attempting to address you will never solve the problem.

James Hanshaw,
Kirkharle Manor,
Kirkharle,
Northumberland

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set the fax machine for fine resolution.

Banks should take losses on the chin

[illegible] Mr Ian [illegible]

Sir, Now [illegible] the banks' reporting season has mainly produced another [illegible] set of results I am experiencing a rather nasty consequence.

[illegible] our annual facility [illegible]gotiations with our [illegible] banks [illegible] institutions, new charges and increases in some rates are being proposed. This is despite our continuing satisfactory expansion and controlled use of funds which in the past have led to reductions at similar annual meetings.

The reason given [illegible] always [illegible] profitability must be recovered. Superficially, [illegible] are [illegible] but in every case the losses have been caused by bad debts or provisions for non-performing loans following disastrous lending policies in earlier years. Their profits at the trading level [illegible]tinue to be more than [illegible]tory.

Why should other more prudent customers make good the mistakes of the banks' managers? Surely such losses should be borne by the owners of the banks – the shareholders.

All that such excessive zeal to increase rates will do is increase inflation and slow our economic recovery. Come on you clearing banks – take your losses on the chin and rebuild your customer base by supporting the better borrowers. If your customer accepts blindly your new charges and increased rates, maybe you would be wise not to lend to him!

Ian McIntyre,
chairman,
Crown Timber Group,
Thornhill Road,
South Marston,
Swindon, Wilts

Going for [illegible] desert song

From Mr Garth Tomlinson.

Sir, On reading the business law article ("Settling Iraqi reparations", April 11), perhaps this exercise ought to be code-named Operation Desert Song.

I think an awful lot of people are going to be whistling for their money.

Garth Tomlinson
4, Tranby Lane,
Swanland,
North Humberside

FINANCIAL TIMES
Wednesday April 24 1991

MIDDLE EAST PEACE EFFORT

Washington looks to Soviet Union

By Tony Walker in Cairo

MR James Baker, US secretary of state, is to make an unscheduled visit to the Soviet Union today to seek closer co-ordination in his efforts [redacted] revive the stalled Middle East peace process.

Washington [redacted] looking to Moscow to help it build momentum for [redacted] effort. [redacted] US plan envisages Soviet co-sponsorship of [redacted] regional peace conference as an opening to direct talks between [redacted].

Mr Baker, currently in Damascus, flies to the [redacted] town of Kislovodsk [redacted] for a meeting tomorrow with Mr Alexander Bessmertnykh, his Soviet counterpart. Mr Baker is expected to discuss under what circumstances [redacted] would be prepared to normalise relations with Israel suspended during the 1967 six-day war.

Mr Baker has been pushing for "confidence-building" measures on both the Arab and Israeli sides pending a formal resumption of peace efforts. Moscow says it will resume full diplomatic ties with [redacted] the [redacted] participate [redacted] on the Middle East.

[redacted] spokesman for Mr [redacted] Shamir, Israel's premier, said Mr Baker had advised that he would follow up his [redacted] dis[redacted] meeting [redacted] Mr Shamir in Jerusalem [redacted] Friday.

US secretary of state James Baker (left) meets Syrian foreign minister Farouk Sharaa

Mr Baker, [redacted] Mid[redacted] shuttle – his third in [redacted] at drawing [redacted] Arabs into direct talks, has not made conspicuous [redacted]. But neither the Arabs, including the Palestinians, nor Israel [redacted] rejected his regional [redacted] conference proposal. The [redacted] urging [redacted] US [redacted] exert real pressure on Israel to co-operate [redacted] genuine [redacted].

[redacted] Lloyd [redacted] Moscow: Mr [redacted] also likely to discuss the problems surrounding [redacted] holding of a US-Soviet summit – a summit which the Nato countries have [redacted] will [redacted] be [redacted] until [redacted] Union [redacted] observe [redacted] in [redacted] forces reduction [redacted] treaty [redacted] Nato says it is presently flouting. [redacted] redesignation of [redacted] sions as [redacted] the terms of the treaty, and mov[redacted] of the Urals.

The Foreign Ministry said yesterday that "the CFE prob[redacted] ones [redacted] we both [redacted] the summit will [redacted] place."

West to build up forces, Page 4

New local tax may herald UK autumn election

By Philip Stephens [redacted] Andrew Jack [redacted]

THE UK government yesterday signalled a return to the political offensive in the run-up to the general election with the claim that a new property-based local authority tax would leave two out of three households better off.

As Mr Michael Heseltine, the environment secretary, formally administered the last rites to the poll tax (a per capita tax for local services) in the House [redacted] Commons, cabinet colleagues predicted that the [redacted] was now [redacted] an autumn election.

Mr [redacted] Patten, [redacted] vative party chairman, greeted the announcement with the pledge that: "We now have the opportunity, [redacted] to seize, to go on the attack". [redacted] senior [redacted] commented [redacted] only [redacted] the [redacted] buried it [redacted].

The details of [redacted] council [redacted] – [redacted] on the capital value of houses and flats slotted into seven nationally [redacted] bands – marked [redacted] final [redacted] policy which Mrs Margaret Thatcher had once dubbed her flagship.

An avalanche of figures for every local authority in England, Scotland and Wales suggested that [redacted] of three households would [redacted] bills of less than £400 ($676) [redacted] year if the new system were in place this year.

The claims, however, were fiercely rejected by the opposition Labour party, which said the new system would [redacted] impractical and unfair.

[redacted] Gould, Labour's [redacted] environment spokesman, said that the govern[redacted] proposals [redacted] the poll tax would remain at least until 1993.

Mr Heseltine confirmed that properties would be classified in seven bands – from the cheapest, worth less than £40,000, to the most expensive, [redacted] at over [redacted]. The [redacted] would [redacted] contracted out to private companies [redacted] overseen by the Inland [redacted] office.

Households in the [redacted] band [redacted] pay about [redacted] thirds the amount of those in the middle band – [redacted] on the average property value in England of £80,000. At the other end of the scale those in the [redacted] band would pay about two-thirds more. The key elements of the tax would apply also to Scotland and Wales.

The illustrative figures produced by Mr [redacted] – hotly contested by Mr Gould – indi[redacted] that the new [redacted] would bring an average bill [redacted] the cheapest property with two adults of £200 [redacted] against £668 for one in the highest band.

The environment secretary confirmed that single-person households would [redacted] 25 per cent discount, an element designed to [redacted] the burden on elderly [redacted] living [redacted].

The [redacted] base the structure on the assumption of two-person properties was attacked by Labour, however, as a political fudge designed to [redacted] supporters [redacted] the poll tax within [redacted] government's own ranks.

[redacted] that [redacted] new [redacted] would [redacted] the burden [redacted] taxation from the north of England to more affluent [redacted] in the [redacted]. Households in many Tory marginal [redacted] in the north-west will be among [redacted] main [redacted].

The political calculation, however, is that although Tory voters in the south will be the main losers, the ceiling on the amount that councils will [redacted] allowed [redacted] levy from each [redacted] the bands [redacted] cushion [redacted] impact.

Ministers believe that [redacted] proposals may have come [redacted] late [redacted] ive impact on [redacted] local elec[redacted] have all but ruled [redacted] tion.

Most appear convinced, how[redacted], that with the poll tax behind them and further [redacted] inflation and mortgage [redacted] expected over the next [redacted] months, Mr [redacted] Major, the prime minister, should be in a position to call an election in the autumn.

Background, Page 9; [redacted] Comment, Page 14

THE LEX [redacted]

Beazer beats the retreat

The planned break-up of Beazer suggests that yet another grandiose folly of [redacted] is [redacted] to [redacted] disentangled the hard way. Shareholders are to be offered shares [redacted] original UK business, thereby being asked to pay for their old company all over again. The rest – the grand global strategy erected on the UK base – is implicitly worthless. Or perhaps not quite: if, as Beazer suggests, the original business is worth £500m, the group's present market capital[redacted] £525m values [redacted] remainder, including the $1.7bn Koppers acquisition, at just £25m.

After the split, the old shares will [redacted] ment to the UK business and a punt on Koppers' future. [redacted] ownership of Beazer is now some 50 per cent and rising. [redacted] can be assumed that the company represented by the old shares will end up US-owned [redacted] probably US-domiciled. [redacted] UK-owned and [redacted] in [redacted] entirety.

Until more [redacted] known, [redacted] whole can [redacted] scarcely be valued. Much will depend on whether the UK [redacted] will be independently [redacted], rather than subject [redacted] fresh empire-building by the old management. Even more will depend on whether the flotation itself goes smoothly. The cash target of £250m is ambitious, but may be essential in the context of [redacted] close to £800m. The snag is that the way things are going, by the third quarter of the year new equity in UK construction companies could be something of a glut on the market.

Taylor Woodrow

[redacted] opportunistic rights issues aplenty this year, [redacted] Taylor [redacted] takes the biscuit. The company has presumably [redacted] on in [redacted] the market lapped up paper from less worthy competitors, understandably concluding that it would be silly to [redacted] on [redacted] market's appetite. No [redacted] than [redacted] by housebuilders, property companies and building material suppliers since early January. It cannot [redacted] long before the market begins to tire of it.

It [redacted] be, [redacted] course, [redacted] Taylor Woodrow is right in claiming that there [redacted] lent opportunities to be snapped up in commercial property and housing. But if [redacted] bottom [redacted] been reached, shareholders are entitled to [redacted] why [redacted] investment is not being geared up with borrowed money. The [redacted] sheet may be a little less comfortable than at the end of last year, but it is hardly strained.

Taylor Woodrow can at least point to the fact that it has read the property market shrewdly over the last couple of years. It [redacted] into [redacted] downturn with most of [redacted] property let and – unlike several of its rivals – with [redacted] development in [redacted]. But share[redacted] who [redacted] up this [redacted] will have need of patience.

Cannon Street Inv.

Share price [redacted] to the FT-A All-Share [redacted]

Source: Datastream

Tarmac

Tarmac's share price [redacted] and flows these days [redacted] hopes for the great recovery. It is therefore not surprising that the market took fright yesterday at the board's unexpectedly gloomy observations for the current year, even if a 6 per cent fall to 239p looked a needlessly [redacted] reaction. However the numbers are added up, it is hard to see this year's dividend not being fully [redacted]red; and when the tide finally turns Tarmac is bound to be a major beneficiary.

The [redacted] worry [redacted] moment is the performance of [redacted] America, which [redacted] making [redacted] pitiful 4 per cent return on $1bn [redacted] capital employed. The division managed just [redacted] of operating profits in the second half. The deterioration in Florida and Virginia should [redacted] come [redacted] little surprise, but one wonders [redacted] the [redacted] should grasp [redacted] opportunity to shrink the size of its US operation. Taking £100m of working capital out of UK housing, by contrast, looks a little [redacted] point in the cycle, though the company insists it [redacted] not retreating from the [redacted]ness. The trouble could be reaching the desired volume of 11,000 homes this [redacted] without again resorting to discounts. Investors who have chased [redacted] of the housebuilding contrac[redacted] this year [redacted] no doubt take [redacted].

Kleinwort Benson

The depressing thing about [redacted] latest news from Kleinwort Benson [redacted] the [redacted] it [redacted] into the board's thinking. When the bank announced its dreadful results [redacted] month, [redacted] item would not have greatly altered their reception. But Kleinwort chose [redacted] wait until the report and [redacted] to [redacted] the embarrassing write-off [redacted]3m of loans to an [redacted]e [redacted] partnership controll[redacted] by one of [redacted] directors. Perhaps more embarrassingly again, it had [redacted] $2.4m to the partnership when the loan agreement [redacted]nated.

The really damning thing from the commercial banking point of view is that that the failed company invested in such areas as Californian real [redacted]state. Money was still being [redacted]vanced last year when the US property market was in full retreat. Shareholders might also usefully raise the [redacted] of why Kleinwort signed [redacted] severance agreement forbidding it to sue for redress.

Cannon Street

Yesterday's market reaction to the £49m cash call from Cannon Street Investments suggests the fashion for rights issues is getting out of hand. Cannon [redacted] a deeply unsuccessful little conglomer[redacted] the net assets of which have fallen by 60 [redacted] in the past two years and the earnings per share of which fell 29 per cent last year. Since 1986 it has raised £100m through share issues – yesterday's not [redacted] – and [redacted] on acquisitions. In the past year, its borrowings [redacted] from £29m to £107m. The net result [redacted] yesterday morning was a market [redacted] of just [redacted]. Then came the cash call, and the shares jumped 17 [redacted] cent.

Part of [redacted] reason may be that some of the new paper has been conditionally placed [redacted] the group's banker, Bank of [redacted]. Should the issue flop, the result will therefore be a partial swap of debt for equity. Cannon Street and its chairman have [redacted] here before, when its [redacted] in [redacted] ondary banking crisis of 1974 led to it being owned for a while by [redacted] then banker, National Westminster. But the banks' problems [redacted] their own affair. There seems [redacted] reason for the equity [redacted] to throw good money [redacted] bad.

Compromise plan for European central bank

By David Buchan
In Brussels

LUXEMBOURG yesterday proposed [redacted] the European Community [redacted] fully fledged central bank during the transition to monetary union, but delay its creation until 1996.

[redacted] plan [redacted] proposed by [redacted] EC's [redacted] president [redacted] the regular fortnightly [redacted] of special negotiators on Economic and Monetary Union (Emu). It [redacted]ned to strike a [redacted] the insistence [redacted] and several other states that the European central bank be set up in 1994, the planned start of the transition to Emu, and the desire of Ger[redacted] delay such [redacted] until the [redacted] target [redacted] for [redacted] single currency.

Ever since last October's Rome summit which called for a new monetary institution in 1994, there has been a war of words between Paris and Bonn on how to interpret [redacted] summit's communique, with Mr Jacques Delors, the Commission president, intervening from time [redacted] accuse Germany [redacted] backsliding.

The Luxembourg plan calls for a three-phase move [redacted] a fully-operational European central bank. Six months after an Emu treaty comes into force, perhaps 1993 or 1994 depending on the speed of [redacted]fication by national parliaments, the present "committee" of EC central bank governors would be transformed [redacted] a "council". [redacted] role would [redacted] to improve [redacted]dination of national monetary policies, whose implementation would still [redacted] in national hands.

By 1996, or earlier if governments agreed unanimously, [redacted] European system [redacted] central banks would be [redacted] over [redacted] running [redacted] the European monetary [redacted] as a clearing house [redacted] Ecu.

Finally, [redacted] EC governments had taken the final [redacted] their currencies, the European [redacted] bank could expand its [redacted] hold [redacted] manage foreign exchange reserves. It could also start to make policy recommendations to national central banks, and be [redacted]ered [redacted] those recommendations public if necessary.

The other main bone of contention [redacted] member [redacted] in the Emu discussions [redacted] the degree of [redacted] discipline [redacted] bolster monetary union. However, Britain's particular concern that it should not be compelled in the current negotiations [redacted] commit itself irrevocably [redacted] any particular Emu timetable may be near a solution.

European intervention and US recession curb dollar's strength

By Rachel Johnson, Economics Staff, in London

CONCERTED dollar sales by European central banks and weak economic news from the US yesterday [redacted] of the steam out of the dollar's recent rise.

Eleven central banks, spearheaded by the German Bundesbank, [redacted] support the D-Mark with large bouts of dollar sales at around midday in European trading.

The German currency, [redacted] by [redacted] political [redacted] and economic uncertainty, has been the main victim of the dollar. The US unit's [redacted] has accelerated as signs of an emerging economic recov[redacted] have rapidly followed the [redacted] of the Gulf war.

Traders reported that the central [redacted] Finland, [redacted]way and Denmark as well as England, Italy and France were selling dollars, pushing down [redacted] currency [redacted] 2½ [redacted] in Europe.

[redacted] possessed an element of surprise. The markets had begun [redacted] Bundesbank [redacted] against intervention while the Federal Reserve was content with the level of US interest rates.

There [redacted] no [redacted] trigger point for the [redacted] but the [redacted] thought to [redacted] spurred by the currency's [redacted] fixing [redacted] DM1.7580, [redacted] 16-month high it set on Monday.

The attempt to cap the dollar was aided by the recessionary news from the [redacted]. There was an unexpectedly large 6.2 per [redacted] drop in new orders for manufactured [redacted] goods last month.

Analysts [redacted] the intervention was likely to have only a very limited effect.

In late New York trading the dollar was DM1.7435, after closing in London [redacted] DM1.74[redacted], against a previous close of DM1.7760.

On Wall Street [redacted] news, [redacted] comments by the [redacted] chairman [redacted] interest rate policy, had [redacted] damping effect [redacted] share prices after a string of strong first-quarter [redacted] results spurred [redacted] modest recovery. [redacted] Dow Jones [redacted] Average closed 2.73 higher at 2,930.45.

UK trade figures, Page 8, Markets, Section II

Greenspan criticises treasury proposals on foreign banks

By Peter Riddell, US Editor, in Washington

MR [redacted] Greenspan, chairman [redacted] the Federal Reserve, has strongly criticised US Treasury proposals requiring foreign banks to set up separately capitalised local holding [redacted] if they wish to take advantage of the opening [redacted] US financial [redacted].

Mr Greenspan told the Senate banking committee yesterday such [redacted] requirement would impose additional costs on foreign banks without obvious benefits.

"It [redacted] an inducement for foreign banks to [redacted]duct their banking operations in [redacted] costly environments outside the US and for foreign [redacted] reciprocal restrictions for US financial firms abroad," he said.

Under the plan, which has already been [redacted] by international bankers, [redacted] foreign bank engaged in activities other than simple banking would [redacted] its current American branches and [redacted]cies involved in securities [redacted] underwriting operations and conduct all [redacted] its US banking business through a [redacted] subsidiary bank. This would also apply [redacted] any expansion into [redacted] areas.

Despite [redacted] several points, Mr Greenspan [redacted] the general thrust [redacted] the Treasury's wide-ranging bank reform [redacted], saying it attacked "the major root causes of the problems [redacted] banking system".

In particular, he said, a majority [redacted] Fed board [redacted]ported the proposed overhaul [redacted] deposit insurance, tightening of supervisory procedures, removal of restrictions [redacted] branch banking and [redacted] new investment activities for well capitalised bank holding companies.

However, the prospects for comprehensive banking reform this year have receded because of [redacted] desire, especially by [redacted] banking committee, to [redacted] on legislation [redacted] the financially [redacted] bank [redacted] fund.

But Mr Greenspan urged Congress to "avoid only partial [redacted] by separating [redacted] component [redacted] the [redacted]hensive proposals [redacted] as [redacted] suggested by [redacted] Treasury".

[redacted] said [redacted] board was troubled about [redacted] proposal [redacted] the [redacted] Deposit Insur[redacted] Corporation could borrow up to $25bn from Federal [redacted] to absorb [redacted] sustained by the bank insurance [redacted] in dealing [redacted] banks.

This would involve the Fed in directly funding the [redacted]. [redacted] funding [redacted] always [redacted] severely [redacted] because [redacted] about compromising the independent conduct of monetary policy.

It would be better, [redacted] have an identical financial and economic impact, if the Treasury made the [redacted] loans, he said.

Mr Greenspan also warned against too large an increase in [redacted] paid by banks [redacted] support [redacted] insurance fund, which might threaten [redacted] and competitiveness of [redacted] banking system.

[redacted] Fed's opposition [redacted] removing its [redacted] supervisory authority [redacted] bank holding companies and limiting [redacted] (mainly smaller) [redacted].

Kohl calls for return to Berlin

Continued from Page 1

But the [redacted] between supporters of Bonn and Berlin, which [redacted] all the main par[redacted] now likely to sharpen. Berlin is supported by a majority of east Germans, and rather more Social [redacted] than Christian Democrats. [redacted] also tends [redacted] the support of politicians old enough to have been [redacted] during West Berlin's years of isolation during the 1940s and [redacted].

Gorbachev meets Yeltsin

Continued from Page 1

with the republican [redacted] which had temporarily ended a previous round of strikes in [redacted] capital [redacted] elsewhere.

Mr Alexander Galkevich, spokesman [redacted] the strike committee, said 40 enterprises [redacted] on [redacted] and that [redacted] the 15 strike [redacted] formed in other Byelorussian [redacted] promised to join.

Mr Gorbachev and his government could take some small [redacted] indications that, elsewhere, [redacted] wave [redacted] in [redacted] pits [redacted] other plants appeared [redacted] slowing down.

[redacted] agency, Tass, said [redacted] more pits began loading coal [redacted] Donbass [redacted] Ukraine – [redacted] enterprises in Kursk in Central Russia, Severouralsk [redacted] Urals and Baku [redacted] Azerbaijan all [redacted] return [redacted] work after their demands had been wholly or partly met.

WORLDWIDE WEATHER

City		°C	°F
Ajaccio	S	14	57
Algiers	S	17	63
Amsterdam	C	5	41
Athens	F	22	72
[redacted]	S	[illegible]	64
Bangkok	C	36	97
Barcelona	S	15	59
Beirut	–	–	–
Belfast	C	10	50
[redacted]	C	14	57
Berlin	C	7	45
Biarritz	[redacted]	[redacted]	59
Bombay	[redacted]	31	88
Bordeaux	[redacted]	14	57
Boulogne	F	10	50
Brussels	C	7	45
Budapest	F	12	54
Buenos Aires	C	[redacted]	72
Cairo	[redacted]	[redacted]	[redacted]
Cape Town	S	25	77
Caracas	[redacted]	[redacted]	82
Casablanca	C	18	64
Chicago	F	9	48
Cologne	R	4	39
Copenhagen	R	5	41
Corfu	[redacted]	17	63
Dallas	–	–	–
Dublin	[redacted]	11	[redacted]
[redacted]	S	15	59
Edinburgh	C	11	52
Faro	[redacted]	[redacted]	64
Florence	[redacted]	[redacted]	57
Frankfurt	F	[redacted]	46
Geneva	C	7	45
Gibraltar	F	17	63
Glasgow	C	11	52
Helsinki	Sn	5	41
[redacted]	[redacted]	25	77
Innsbruck	Sn	4	39
Inverness	F	12	54
[redacted]	F	[redacted]	[redacted]
Istanbul	F	10	[illegible]
Jakarta	R	32	90
Jersey	F	10	50
Johannesburg	S	21	70
Lima	[redacted]	[redacted]	77
Lisbon	[redacted]	[redacted]	[redacted]
[redacted]	C	11	52
Los Angeles	[redacted]	14	57
Luxembourg	F	6	43
Madeira	F	[redacted]	64
Madrid	S	[redacted]	61
Majorca	F	16	61
Malaga	F	17	63
Malta	[redacted]	16	61
Manchester	C	11	52
Manila	F	34	93
Melbourne	F	15	59
Mexico City	F	31	88
Miami	[redacted]	25	77
Milan	F	9	48
Montreal	C	5	41
Moscow	C	1	34
Munich	Sl	4	39
Nairobi	–	–	–
Naples	F	[redacted]	57
Nassau	[redacted]	28	82
New Delhi	[redacted]	32	90
New York	[redacted]	11	52
Nice	F	14	57
Nicosia	S	29	84
Oporto	S	[redacted]	66
Oslo	F	11	[redacted]
Paris	C	11	[redacted]
Peking	C	15	[redacted]
Prague	R	[redacted]	40
Reykjavik	[redacted]	1	34
Rhodes	[redacted]	25	77
Rio de Janeiro	F	30	86
Rome	F	12	54
Salzburg	F	8	46
San Francisco	Dr	11	52
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	F	30	86
[redacted]	S	9	48
Strasbourg	F	7	45
Sydney	S	18	64
Taipei	C	30	86
Tangier	R	15	59
Tel Aviv	S	24	75
Toronto	C	13	[illegible]
Tokyo	F	20	68
[redacted]	[redacted]	2	36
Tunis	C	17	63
Valencia	S	17	63
[redacted]	C	12	54
Vienna	F	12	54
Warsaw	F	9	48
Washington	S	8	46
Zurich	F	6	43

Temperatures at midday yesterday C–Cloudy [redacted] F–Fair Fg–Fog H–Hail R–Rain S–Sunny [redacted] Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS

Wednesday April 24 1991

NEC in talks on Groupe Bull stake

By Alan Cane [illegible] London, William Dawkins in Paris and Stefan Wagstyl in Tokyo

NEC, [illegible] electronics company, yesterday confirmed it was in talks with Groupe Bull of France which might lead to an NEC stake in the state-owned computer manufacturer [illegible] seat on the board.

NEC declined to comment on Japanese press speculation that the stake could be as much as 10 per cent.

The Japanese manufacturer supplies Bull with large main[illegible] computers. In turn, the loss-making French [illegible] principal marketing conduit [illegible] its large machines.

Talks have been going on for some months to [illegible] the future of NEC's 15 per cent stake in Bull HN, a company set up in 1987 in which Groupe Bull held a 72.2 stake, NEC 15 per cent and Honeywell of the US 12.8 per cent.

Honeywell recently marked its final retreat from the computer business by selling its stake in Bull HN to Groupe Bull for an undisclosed sum.

NEC's willingness to acknowledge the negotiations implies it is in favour of a restructuring prepared by Mr Francis Lorentz, Bull chief executive, designed to return the loss-making company to profit within three years.

The plan involves sweeping away the company's untidy and inefficient structure and replacing it with a global company.

[illegible] depends on NEC agreeing [illegible] switch its stake from Bull HN to Groupe Bull. Senior French government officials said Groupe Bull's losses – last year they amounted to about £700m ($1.2bn) – and its [illegible] for a foreign partner were factors behind the Paris [illegible] decision early [illegible] month to allow private companies to take minority stakes [illegible] state-owned ones. The government would be relieved, sources suggest, to see Bull supported by a strong partner like NEC.

Observers had long speculated that Bull's problems would be the final element to force the government to loosen President François Mitterrand's three-year-old [illegible] nationalisations [illegible] privati[illegible]ns. This relaxation comes in the form of a decree which paves the way for NEC to take a shareholding in Groupe Bull and eases the way for foreign alliances being negotiated by two state banks.

It says [illegible] private partner can take a stake only if this accompanies an issue of fresh capital, to [illegible] all partners must [illegible]scribe. There must also be a clear commercial, financial or industrial co-operation accord and the state must keep majority control, [illegible] the decree.

Fleet upbeat on profits at failed BNE

By Karen Zagor in New York

FLEET/NORSTAR Financial Group, the new proprietor of the bankrupt Bank of New England, is forecasting that BNE will [illegible] annual earnings from operations of about $150m-$200m between 1993 and [illegible].

The prediction comes less than four months after BNE was declared insolvent and seized by federal [illegible] in one of [illegible] biggest bank failures in US history.

Fleet, the Rhode Island-based bank, tempered yesterday's optimism with the warning [illegible] it expects BNE to post a loss of $10m-$15m in the first six months after the acquisition [illegible] to break even for the first 12 months.

[illegible], in partnership with [illegible]ohlberg [illegible] Roberts, [illegible] New York buy-out investment boutique which is one of the most powerful takeover players in the US, was awarded BNE's assets on Monday.

Fleet will pay the Federal Deposit Insurance Corporation (FDIC) $125m as a premium, made up of $100m in preferred stock and [illegible] in cash. It will also inject $500m capital into the failed bank.

In exchange, Fleet will take control of three BNE "bridge banks", with combined assets of about $15bn. To finance the deal, Fleet will raise [illegible] of new capital, including $283m to be provided by investors advised [illegible] KKR.

The FDIC said Fleet's offer was the least costly to the federal bank insurance fund. However, the FDIC will absorb most of the risk associated with the commercial property loan losses which drove BNE into liquidation.

The FDIC will assume about $5.5bn of BNE's problem assets.

Fleet will also be able to turn [illegible] additional problem assets over to the FDIC with minimal penalties during the next three [illegible].

Mr William Seidman, chairman of the FDIC, yesterday said the agency plans to borrow between $5bn and $5.5bn from the US Treasury's Federal Financing Bank (FFB) as a result of resolving the BNE collapse.

This is the first time that the FDIC has [illegible] advantage of changes last year, authorising it to borrow working capital from the FFB. Mr Seidman said about $3bn will be repaid from the sale of [illegible] and about $2bn will be losses.

The FDIC has taken [illegible] pains to stress KKR's distance from the deal. It described KKR's [illegible] as "a passive investor". But this one of the first times that a group which is not [illegible] bank has been allowed to make a significant capital infusion into a leading US bank.

KKR has been thwarted before in its attempts to invest in financial institutions, including its 1989 bid for the failed Texas banks of MCorp.

In the case of the Bank of New England, KKR has already met political [illegible] from Representative John Dingell, the formidable chairman [illegible] House Energy and Commerce Committee. Mr Dingell warned regulators that a joint KKR-Fleet bid might violate laws which prohibit commercial companies from owning banks.

Under the terms of the Fleet deal, KKR investors will buy $283m of dual convertible preferred stock. This will be convertible into 16.03m common shares of Fleet/Norstar at $17.65 a share in no less than three years.

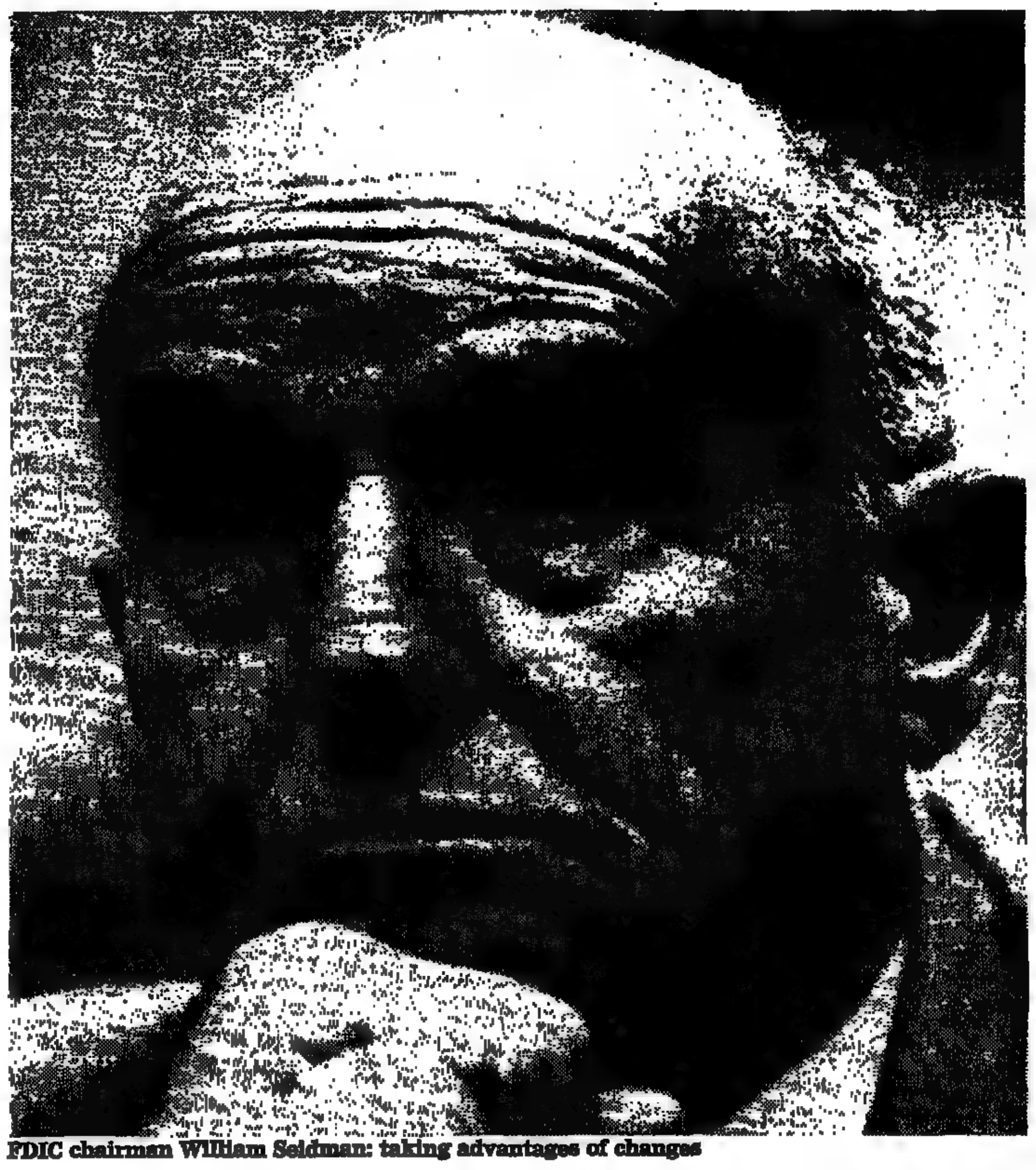
In addition, KKR has warrants to buy 6.5m Fleet common shares.

On a fully-diluted basis after Fleet's common offering, KKR's investors will have about 16 per cent of Fleet's non-voting stock.

A KKR spokesman said the firm was attracted to the BNE bid by the strength of Fleet/Norstar's management. Fleet, which was founded 200 years ago and has assets of $32.6bn excluding BNE, is considered one of the best-run New England banks.

The BNE acquisition will transform it into the biggest player in the region.

Analysts said the FDIC's choice of Fleet against competing bids from BankAmerica and Bank of Boston was a compromise decision, which would have the least ramifications for the US banking industry.



FDIC chairman William Seidman: taking advantages of changes

SKF dives 91.8% to SKr59m

By Robert Taylor in Stockholm

SKF, the world's leading roller bearings manufacturer, [illegible] a 91.8 per cent slide in first-quarter profits after financial items due to falling demand for its products. [illegible] drop [illegible] to SKr59m [illegible] from SKr721m for the January-March period of 1990.

Net [illegible] fell 2.7 per [illegible] to SKr6.92bn from SKr7.11bn. Income per share was SKr0.90 after tax, compared with SKr3.7 last time. The return on shareholders' capital for the most [illegible] 12-month period was [illegible] per cent, compared with [illegible] per cent.

At [illegible] of March this [illegible] production level [illegible] 20 per cent below the same time [illegible] year, with most plants operating below capacity.

SKF said its 60,000-strong workforce had been cut by 1,800 over the first three months of the year. Inventories were virtually unchanged at the end of 1990, at 35.2 per cent.

The company blamed continuing lower demand for products in its biggest European markets and in the US and Brazil.

[illegible] continuing low demand over the next few months, with more [illegible] from [illegible] further cut in manpower. The company said 4,000 [illegible] 5,000 more jobs might have to go this year if weak demand continued.

"Developments in the market towards the end of the year will be decisive to the group's [illegible] to improve its level of income," said Mr Mauritz Sahlin, [illegible] executive.

However, he added that 1991 profits would be [illegible]gnificantly lower than last year's SKr1.75bn.

Profits after financial items for SKF's bearings divisions fell to SKr77m, compared with SKr600m for the first quarter of 1990, although this year's first-quarter result was better than the SKr110m loss [illegible] by bearings in the fourth quarter last year. Net sales were also down to SKr5.47bn, from SKr6.04bn.

The company said bearings sales in the German car industry and Far East were maintained.

In its tools business, SKF suffered a SKr11m loss, compared with a SKr29m profit for the same period [illegible] 1990 and a SKr29m loss in the fourth quarter of last year.

Tool [illegible] increased to SKr597m in the first quarter from SKr368m for the same three months of last year.

The component systems saw a profit of only SKr3m compared with SKr106m last time.

Private Spanish electricity groups propose $5bn merger

By Peter Bruce in Madrid

HIDROLA and Iberduero, the two biggest private-sector electricity utilities in Spain, are in "advanced and serious" negotiations to create a company that would make it one of Europe's [illegible] private utilities. Its combined [illegible] capacity would be about 14,000MW and market capitalisation more than $5bn.

Represen[illegible] of the [illegible] companies and the Ministry of Industry and Energy met on Monday to discuss the proposals, whichhave been prompted by government plans to streamline the sector.

Madrid wants to take the country's 12 generators and [illegible] three groups. Ideally, it would hand [illegible] national distribution [illegible] a company which would buy and sell electricity in the European single market after 1992.

The big private utilities – Hidrola, Iberduero, Sevillana and Union Fenosa – are alarmed at the prospect of being pressed by the government. They have been trying to devise plans to pre-empt the government.

The commotion sweeping the sector – the second biggest on the Madrid stock exchange after banking – has been compounded recently by aggressive corporate raiding by the state-controlled generator, [illegible], the country's biggest [illegible]. The [illegible] utilities are obliged [illegible] buy [illegible] they claim is overpriced power from Endesa.

Endesa's acquisitions included 10 per cent of Sevillana, the big Andalucian utility, in [illegible]. This year it acquired 80 per cent of Electra de Viesgo in the north, and smaller stakes in Fecsa, the Catalan utility, and Union Fenosa, which also operates in northern Spain.

"This [illegible] little [illegible] than nationalisation," said a senior Spanish banker involved in [illegible] industry. Spanish banks own stakes in most utilities and vote up to 40 per cent of utility shares using proxy votes at shareholder meetings.

Analysts believe Endesa may be accumulating the stakes to get into distribution or to use in a swap of assets which the government might order to facilitate its reorganisation.

At the heart of the debate is a complex system [illegible] compensations erected by [illegible] government in 1987 to keep tariffs standard nationwide. This assists high-cost producers by forcing [illegible] a share of their income around less fortunate operators.

Endesa, probably reflecting government plans, says it wants three groups created, with Hidrola and Iberduero and itself leading them. This would leave Endesa free to take control of Sevillana, [illegible] Union Fenosa.

A combined Hidrola and Iberduero, which would bring together Iberduero's strong hydro-electrical [illegible] and more modern conventional generating plant at Hidrola, would pose a strong industrial threat to Endesa's vision.

Combined [illegible] capacity would be close to that of the newly-created PowerGen in the UK. Total shareholder equity in Hidrola and Iberduero would be more than Pta1,000bn ($9.2bn), compared with the Endesa group's current Pta472bn.

Trading time runs out in the pit

By Tracy Corrigan and Jim McCallum in London

PIT trading of equity options in London is to be abolished in favour of a screen-based system, under recommendations sent to members of the London Traded Options Market and the London International Financial Futures Exchange today.

Officials said the merger of LTOM and LIFFE was still planned before the end of the year. But certain issues, [illegible] trading procedures at the new exchange, would have to be re-examined, if members agreed to the proposal.

Only index-linked options - the FT-SE 100 contract and the FT-SE Eurotrack 100 contract due to be launched in June - will still be traded under open outcry.

The change is intended [illegible] tackle chronically low volume in stock options. In the US, the volume [illegible] equity derivitives is equivalent to 140 per cent of the underlying stock market, [illegible]pared with 20 per cent in London.

Unreliable price quotations deter retail investors, while dealers dislike the lack of anonymity which o[illegible] means revealing their trading in the stock market.

"The only practical way we can see to achieve anonymity [illegible] through [illegible] fully automated trading system," said Mr Michael Jenkins, chief executive of Liffe.

Liffe and LTOM say the new market will also incorporate automated quotation mechanisms for all market makers, small order automated execution and a facility for negotiating block trades.

But some of the large institutions which account for most of the business in the options market were uncertain whether a screen-based system would increase turnover.

INSIDE

Saudi investor has 5% [illegible] in Chase

[illegible] Saudi Arabian investor, Mr Suliman Olayan, [illegible] that he increased his [illegible] in [illegible] Manhattan, [illegible] third largest banking company in the US, from 4.9 per cent to 5 per cent. [illegible] a filing with the US Securities and Exchange Commission, Mr Olayan [illegible] he had acquired 6.7m Chase shares "[illegible] investment purposes".

Chasing away the shadows

[illegible] a dispiriting [illegible] for [illegible] German [illegible] – buffeted by [illegible] abroad, a slowing [illegible] and industrial and [illegible] strains following reunification – the outlook is [illegible] no means all gloomy. [illegible] analysts feel the time may [illegible] ripe for [illegible] the German market, [illegible] it has [illegible] clearly [illegible] pace [illegible] other exchanges. Andrew Fisher reports. Page 37

[illegible] news from Wall [illegible]

[illegible] yesterday [illegible] Salomon and Morgan Stanley, two [illegible] the [illegible] in [illegible] US, which [illegible] in first-quarter profits. [illegible] than doubled its after-tax profits, while Morgan Stanley jumped [illegible] per cent. [illegible] reports. Page 20

Tarmac drops 49%

Britain's biggest con[illegible] and building materials group, Tarmac, yesterday revealed a 49 per cent drop in pre-tax profits last year, hit by deep [illegible] in the UK and US. Sir Eric Pountain, chairman, warned that profits would also fall sharply in the first half of this year. Page 24

Double blow for Bethlehem

Bethlehem Steel, the second-largest US steel manufacturer, was dealt a double blow in the [illegible] quarter by weak demand [illegible] mounting costs. The group yesterday announced a $39.2m loss after tax in the first three months of 1991. But the Pennsylvannia-based company said it was still studying the possibility of a collaborative venture with British Steel. Page 20

Bad news in black and white

[illegible] finance [illegible] are not [illegible] in suffering [illegible] the shortage of [illegible] takeover [illegible] ives, [illegible] UK's largest independent printer, reported a 28 per cent fall in pre-tax profits to [illegible] months [illegible] January, almost entirely due to falling demand for financial printing. Richard Gourlay reports. Page 24

Market Statistics

Companies in this section

Chief [illegible] yesterday

FRANKFURT (DM)			
Rises			
Bayer-H[illegible]	370	+	11.5
Daimler-Benz	695.5	+	15
Indust Kredit	265	+	12
Siemens	597.5	+	14.2
[illegible]			
Springer Ax	705	–	15
Wella Prf	705	–	15
NEW YORK ($)			
Rises			
Fleet/Norstar	21 5/8	+	[illegible]
Morgan Stanley	87 3/8	+	7/8
[illegible]isco	11 5/8	+	1/8
[illegible]	32 3/4	+	1 1/2
Square Deal	81 1/8	+	2 1/2
Falls			
Bank of Boston	7 5/8	–	7/8

PARIS (FFr)			
Rises			
Dollfus Mieg	411	+	11
Euromarche	4138	+	68
L'Oreal	549	+	14
Falls			
Ciments Fr	390	–	26.1
Poliet	466	–	29.8
UFB Locabail	245.1	–	[illegible]
TOKYO (Yen)			
Rises			
Nippon Carbide	818	+	78
Nitto Seimo	2060	+	[illegible]
Tokai Pulp	1400	+	100
Utoku Express	1290	+	190
[illegible]			
Kawasaki Kasei	910	–	74
Meix	1100	–	160

LONDON (Pence)			
Rises			
Amstrad	76	+	3
BET	167	+	7
Cannon St Inv	124	+	18
Faber Prest	152	+	6
Hi-Tec	125	+	7
LASMO	367	+	9
Manweb	248	+	13
Micro Focus	1840	+	67
Morland	290	+	12
OS Hldgs	203	+	10
Ratners	184	+	6
Rosehaugh	61	+	7
Security Srvs	480	+	23
Falls			
Colefax Fwler	78	–	8
Doctus	[illegible]	–	8
Kleinwort Bens	306	–	14
Lovell (YJ)	185	–	8
Synapse Comp	90	–	16
Tarmac	229	–	16
Ward Group	200	–	7

Taylor Woodrow in £162.4m rights issue

By Andrew Taylor in London

TAYLOR Woodrow yesterday joined the growing number of British construction companies which have announced rights issues this year.

The group is seeking to raise £162.4m ($300m) by offering shareholders one new share [illegible] 200p for every four already owned.

Since the beginning [illegible] January, British companies have sought to raise almost £3bn from rights issues.

Construction and property companies over the same period have called on shareholders to raise just over £1bn.

With less than four months of the year completed, companies have already sought almost three-quarters of the £4bn produced from rights issues in the whole of last year.

Mr Peter Drew, Taylor Woodrow's chairman, said the group would use the rights issue proceeds to take advantage of the current weakness in residential and commercial property prices to make "selective acquisitions".

"Most property and housing developers have been less able than Taylor Woodrow to withstand the burden of the current recession and as a result opportunities have arisen to acquire property and housing assets at favourable prices.

"A number of attractive opportunities [illegible] been identified and are receiving active consideration," said Mr Drew. The group would consider buying companies as well as individual properties and development land. He said a rights issue had been considered by the board to be the most appropriate way to raise funds to pursue investment opportunities and still maintain a strong financial base with gearing and interest cover at reasonable levels.

"It is certainly cheaper than raising debt at current rates of interest," said Mr Drew. Net debt currently represents 41 per cent of shareholders' funds according to the group.

Taylor Woodrow's share price, after an initial slide of 14p, recovered to [illegible] only 2p lower at 251p last night.

Hambros Bank said that sub-underwriting for the issue, which had been fully underwritten by the bank, [illegible] completed satisfactorily.

Taylor Woodrow, like other large UK construction groups, has been suffering as a result of the collapse in residential and commercial property markets. Last month, the company announced that pre-tax profits had fallen by 28 per cent last year to £83.4m – the first profits fall at the group for 30 years.

It also revealed that the value of its commercial property portfolio had reduced by almost a fifth from £801.9m to £646.1m during the 12 months to end of December.

The group's cash call is the fourth largest rights issue to be announced [illegible] British [illegible] pany [illegible] year. The biggest was by Tesco, stores group, which at the end of January announced a 2 for 11 issue to raise £572m. Last month Bass, the brewers, announced a £557m right issue, while Redland, the UK building [illegible] als group, sought to raise £280m from its shareholders.

A common theme among issues from building companies has been the need to raise cash to position businesses for recovery and to take advantage of the weakness of other companies which may be forced to sell assets to reduce debts. Most companies however say that opportunities to buy land for housing, the sector most likely to lead the recovery, have been very limited.

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Kleinwort Benson writes off loans totalling $23m

By David Lascelles, Banking Editor, in London

KLEINWORT Benson, the London merchant banking group, has had to write off loans totalling $23m to a US development capital company founded by a former director.

The loss was disclosed in the group's latest annual report released yesterday.

The loans were made to companies linked to Mr Kenneth McCormick, an American banker who was hired by Kleinwort Benson in the mid-1980s to set up and run a swaps business in Los Angeles called Kleinwort Benson Cross Financing (KBCF). Mr McCormick became a director both of KBCF and Kleinwort Benson Ltd, the merchant banking arm of the group.

According to the annual report, the Kleinwort group made a series of loans starting in 1987 to Ojai Capital, a partnership founded by Mr McCormick to finance start-ups and real estate investments in California. Loans were also made to Kenneth McCormick & Co, a company set up by Mr McCormick to provide management services to KBCF.

The loans amounted to $15m by the end of 1989. Last year further loans plus unpaid interest and unreimbursed expenses amounted to an additional $5.81m, and last May KBCF advanced Mr McCormick's company a further $1.92m.

But later last year Kleinwort decided that Ojai Capital was not financially viable, and it decided to sever its connections with Mr McCormick's companies. It made a full provision against the $22.73m which it was owed by them. It also terminated its operating agreement with Kenneth McCormick [illegible] Co, incurring in the process a $2.4m payment.

As part of a settlement agreement, Kleinwort has waived all claims against McCormick and Ojai, and was itself also released from any claims from Mr McCormick and his business interests. Mr McCormick resigned his Kleinwort directorships in February. He was not available for comment last night.

The loss comes at a difficult time for Kleinwort. The group recently reported an overall loss of £68m ($114.92m) before tax for 1990, largely because of a £34m loss on a misjudged block trade in Premier Oil shares.

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Cannon St in £46m cash call

By Michiyo Nakamoto in London

CANNON Street Investments, the debt-laden industrial holding company, is raising £46.7m ($86m) net via a one-for-three rights issue, and a placing and offer of 25.7m convertible preference shares, in a move to slash its borrowings by more than 40 per cent.

The rights issue of 25.69m new ordinary shares at 90p was at [illegible] discount to the closing price on Monday of about 10 per cent [illegible]. The [illegible] closed up 18p at 124p yesterday.

The convertible preference shares, which are subject to clawback, have been conditionally placed at £1 per share with the Bank of Scotland. The fixed cumulative annual dividend on the convertibles is 9.75p (net) and the conversion price is 120p.

Cannon Street's strategy is to buy smaller companies and develop them into larger groups for eventual flotation on the market. Mr Bill Hislop, chairman, said of the decision to launch a rights issue, placing and offering: "A major consideration was that we will be able to float our businesses totally unhampered by gearing considerations."

The group announced its cash call on the market as it reported a 35 per cent fall in pre-tax profits to £17.3m from £26.5m for the year to December 31.

Turnover rose to £281.42m from £228.86m.

Interest charges for the year jumped to £8.47m from £2.06m while operating profits fell 6.8 per [illegible] to [illegible] from £28.45m.

The group [illegible] its bank borrowings [illegible] fund [illegible] ments in its leisure businesses. Since [illegible] it has invested [illegible] £30m [illegible] expand [illegible] hotels and leisure division. The contribution to operating profits from this area rose from £2.6m to £3.1m last year. Only the hotels and leisure and electronics distribution divisions increased operating profits.

The business services division was stable but building and building services, food and drink, and home improvements saw operating profits fall.

Cannon Street also suffered a £700,000 loss on its investment in Betacom, the telecommunications company in which it has a 29 per cent stake. Further extraordinary losses of £3.3m were related to bad debts, and closure and rationalisation costs at some businesses.

Earnings per share fell to 17.21p from 24.15p and an unchanged final dividend of 5.5p was recommended, main-[illegible]

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Générale de Banque increases dividend

By David Buchan in Brussels

GENERALE de Banque, Belgium's largest bank, yesterday announced net profits for 1990 of BFr8bn ($232m) a rise of 7.8 per cent above those of 1988, the last comparable year.

Générale de Banque, whose 1989 results were depressed by heavy provisions against foreign loan losses, said despite continued problems due to the economic downturn in the US, deposits in Belgian francs grew by 8 per cent following Belgium's decision to tie its franc more closely to the D-Mark.

Declaring a BFr5 increase [illegible] its dividend to BFr270 a share, Mr Jacques Groothaert, the bank's chairman, said that while the bank had made certain exceptional profits last year, from the sale of its stake in European American Bancorp and in Lease International, it also had to pay out BFr2bn last year towards redundancies, aimed at shedding some 1,500 staff by the end of this year.

Mr Groothaert said Générale de Banque, which recently abandoned an ambitious cross-border merger plan with Amro Bank of the Netherlands, had no intentions of linking up with any Belgian bank at home.

● Groupe Bruxelles Lambert, one of the largest Belgian holding companies, yesterday announced consolidated profits [illegible] BFr5.66bn, up [illegible] BFr4.25bn the year before.

The results included capital gains from the sale of GBL's stake in Wagons-Lits, the Belgian tourism and hotel company, which was offset by an exceptional BFr3bn book loss from the deconsolidation of the US assets of the group. Much of this, BFr2.5bn, was "purely a book-keeping loss" due to the accumulated depreciation of dollar assets since 1982.

GBL raised its dividend [illegible] 1990 to BFr274-a-share, up [illegible] BFr215 the year before.

● Barco, the Flemish electronics group, has maintained its dividend of BFr26 a share, even though pre-profit tax for 1990 fell to BFr899m, from BFr1.22bn in 1989.

The poorer profits reflected mainly the cost of acquisitions in the US and Europe.

● Union Bank of Switzerland said its results in the first quarter of 1991 were significantly better than those for the same period of 1990, Reuter reports from Zurich.

The company said positive developments in securities markets and the stronger dollar had contributed to the better result.

The bank said in March the outlook for 1991 was positive after its 1990 consolidated net [illegible] .3 per [illegible] to [illegible] 2m).

Earnings stagnate at Matra

By William Dawkins

MATRA, the French missiles and electronics group, yesterday reported that profits stagnated last year on a gentle increase in orders and sales.

Net earnings were FFr606m ($101.89m), barely changed from the FFr605m recorded in 1989, on turnover up 10 per cent at FFr24.3bn from FFr22.1bn. The group received FFr26.3bn of orders last year, against FFr24bn in 1989.

Space and defence, the largest division, which makes missiles, defence electronics and satellites, saw its turnover rise from FFr8.4bn to FFr10.3bn.

This includes the first FFr4.5bn contribution from Matra Marconi Space, the 51 per cent owned space equipment company formed early last year from the merger of Matra's space activities with those of GEC Marconi of the UK.

The transport and car division, which produces the recently re-launched Espace for Renault and makes urban railways and automotive electronics, reported sales of FFr8.1bn, representing 34 per cent of group turnover.

Loral ties up $182m sale to Europe group

By Haig Simonian in Milan and William Dawkins in Paris

LORAL, the US defence electronics group, yesterday completed the $182m sale of 49 per [illegible] of its satellite [illegible] European partners.

This concludes an agreement made in October with Alenia, the Italian state-owned aerospace group, plus Aerospatiale and Alcatel Espace, the French public and private sector aerospace companies.

Space Systems/Loral makes communications and weather satellites, with 2,000 employees and sales of $350m last year. The four partners' combined forces represents one of the world's biggest civil communications and weather satellites groupings, with 7,800 employees and $1.5bn of joint turnover.

The US satellite business, formerly part of the space systems division of the Ford Motor Company, was won by Loral in an auction last summer, against unsuccessful bids from rival teams including Aerospatiale and Alcatel.

The completion comes days after the acquisition by Alenia and Aerospatiale of Boeing's De Havilland subsidiary in Canada, and underlines the growing ambitions of the two continental European aerospace manufacturers to break into the US and the specialised satellite markets.

According to Alenia, the deal will help the three European companies provide turn-key communications [illegible] offering clients satellites, control units, earth stations and related services.

The three European companies have worked together with the US group now owned by Loral for some time on commercial communications satellites, notably the Intelsat V series and three Arabsat models. They are currently involved in the joint development of the next generation of Intelsat VII satellites [illegible] operation next year.

Independently, Alenia, which was formed [illegible] the merger of the state-owned Aeritalia and Selenia aerospace and defence groups late last year, has sealed a number of international collaboration agreements in recent weeks as part of its own foreign expansion drive.

Eridania down despite improved sales

ERIDANIA, the agro-industrial subsidiary of Italy's Ferruzzi group, suffered a fall in consolidated net profits to L230bn ($176m) last year from L298bn in 1989, writes Haig Simonian.

The decrease, which partly stemmed from a drop in net extraordinary items to L61bn from L150bn in 1989, came despite a 2.9 per cent increase in sales to L9,165 from L8,909.

Net profits at parent company level fell to L60bn from L68bn in 1989. Eridania, which earlier this month announced a rights issue of up to L281bn, is paying an unchanged dividend of L240 for ordinary shares and L270 for savings shares.

The group, which last year raised its share of national sugar production in Italy to almost 37 per cent, said dry weather conditions in Europe had combined with the Gulf crisis and the rise in the value of the dollar to make [illegible] conditions more difficult last year. However, net operating profits rose by 8.8 per cent to L594bn.

The company said it expected improved results for the current year, both in terms of operating earnings and sales.

Philippines to push [illegible] with airline privatisation

By Greg Hutchison in Manila

PHILIPPINE Commercial International Bank is pushing ahead with the privatisation of Philippine Airlines (PAL), but is waiting for the sale prospectus and the results of a due diligence review before making a final decision on the bidding consortium.

A number of parties [illegible] known to [illegible] in acquiring the 60 per cent of PAL that the government is [illegible] put up [illegible] sale. They include Northwest Airlines [illegible] the US, JAL of Japan, a consortium led [illegible] a Hong Kong company, and [illegible] group [illegible] by PAL pilots. "Once the prospectus comes out, we will decide whether to bid, who to bid with and how much to bid," said Mr Stephen Cu-Unjieng, PCIB managing director for investment banking.

Mr Feliciano Belmonte, PAL president, said that PAL had incurred a net loss of 1.5bn pesos ($54.6m) for the year ended March 1991, mainly due to heavy foreign exchange losses and increased domestic fuel price costs.

He said the foreign airlines were [illegible] in PAL's trans-Pacific routes, rather than [illegible] current balance sheet. By the end [illegible] year, Mr Belmonte – who also [illegible] the government pension fund that controls 75 per [illegible] equity in Philippine Airlines – disclosed the airline was planning to double [illegible] Manila-US flights to 26 a week.

One of the main obstacles [illegible] PAL's successful privatisation is its planned buy-back of $175m of [illegible] Club debts and $170m of commercial [illegible]. The Philippines' central bank and the finance department have drafted an agreement that might resolve the debt issue, Mr Belmonte said.

He said the Government Service Insurance System (GSIS), the majority stockholder in PAL and the Philippine Plaza Hotel, has asked for a guarantee from Allied [illegible] (AKL) of Japan following its purchase of the hotel for 1.5bn pesos.

Mr Belmonte, who [illegible] GSIS president and general manager, said AKL has been asked [illegible] pledge as security 100 per cent of the shares to be bought as well as a mortgage on the hotel, which is being bought with a long-term [illegible] from GSIS over the land.

Australian air sell-off due this year

By Kevin Brown in Sydney

AUSTRALIA'S two government-owned airlines [illegible] likely to complete the [illegible] significant shareholdings [illegible] investors before the end [illegible] the [illegible] executives said yesterday.

"We should be able to come [illegible] some [illegible] within [illegible] next two or three months," said Mr Ted Harris, chairman of Australian Airlines, the government-owned domestic carrier.

The government plans to sell 100 per cent of Australian Airlines, of which 40 per cent will be placed with [illegible] buyers, with [illegible] ceiling of 25 per [illegible] on individual foreign shareholdings.

[illegible] sell [illegible] per cent of [illegible], the international [illegible] carrier, [illegible] per [illegible] will [illegible] airlines. The [illegible] will probably [illegible].

[illegible] Ansett Australia, the [illegible] airline owned jointly by TNT [illegible] Corporation, will [illegible] buying [illegible] Airlines.

Ralph Willis: announced [illegible] of privatisations

[illegible] government-owned airlines [illegible] recapitalised before the sales go-ahead, probably through the assumption [illegible] by the government [illegible] for [illegible].

The detailed plans for the sales, announced in statements by Mr Ralph Willis, finance minister, and Mr Kim Beazley, transport minister, are largely in line with privatisation proposals announced in December.

However, the government rejected a request from the Qantas board for permission to acquire up to 25 per cent of Australian Airlines to protect its access to domestic traffic.

Officials said ministers rejected the proposal because it would have undermined the privatisation of Australian Airlines, and blurred the division between domestic and international operations.

[illegible] decision angered Qantas, [illegible] it would [illegible] placed [illegible] a competitive disadvantage [illegible] foreign airlines.

"It [illegible] understand why [illegible] specifically excluded from participation in [illegible] in domestic [illegible] in [illegible] while its [illegible] competitors are being encouraged to do just that," [illegible] Mr Bill Dix, Qantas chairman.

The government's decision to recapitalise [illegible] in [illegible] will [illegible] their attractiveness to investors by reducing the high gearing both have incurred as a [illegible] re-equip[illegible].

The extent of the recapitalisation has not been determined, but Mr Beazley said last [illegible] that repairing the airlines' balance sheets would cost around A$600m (US$465m) for Qantas and A$300m for Australian Airlines.

Qantas is understood to have had talks with British Airways, Japan Air Lines, Singapore Airlines, United Airlines, of the [illegible], [illegible] Garuda, [illegible] carrier.

The same airlines [illegible] list of potential shareholders in [illegible] Airlines, but [illegible] government is unlikely [illegible] to acquire holdings in [illegible] and Australian.

Israel Chemicals falls to $78.2m

By Hugh Carnegy in [illegible]

ISRAEL Chemicals, the country's biggest and most profitable stat[illegible]ed industrial group, reported a drop in net [illegible] in [illegible] from [illegible] in [illegible] a [illegible] year for [illegible] group.

[illegible] up $76m [illegible], [illegible] a fall in world prices [illegible] potash, [illegible] Chemicals' core product, a drop in phosphate sales to eastern Europe, [illegible] relative strength [illegible] foreign currencies [illegible] for the reduced earnings.

Net return [illegible] capital was 14 per cent, maintaining Israel Chemicals' traditional [illegible] as [illegible] leading performer among [illegible] holdings.

The group, [illegible] exploits [illegible] resources from [illegible] slated for privatisation for [illegible] time, [illegible] a planned private placement of a majority [illegible] with foreign investors was blocked by political objections.

A partial flotation on the Tel Aviv [illegible] Exchange [illegible] the preferred option of most ministers, although [illegible].

Israel Chemicals now relies heavily on international mar[illegible].

[illegible] year, [illegible] by 7 per cent at $646m, a little over half of total sales. The drop in earnings came mainly [illegible] two [illegible] group's core [illegible] production companies, [illegible] and Negev Phosphates.

[illegible] were up [illegible] Periclase, [illegible] makes magnesia [illegible] hydrochloric acid, Rotem-Amfert, [illegible] sulphuric and phosphoric acid, [illegible] Giulini Chemie, a West German subsidiary making phosphate salts [illegible] sulphate.

Israel Chemicals intends [illegible] pay a dividend to the government of $12m, [illegible] $50m [illegible] 1989.

MCI down 21% despite revenue rise

By Bernard Simon in [illegible] York

MCI Communications [illegible] a 21 per cent fall in first-quarter earnings in the highly competitive US long-distance telephone market, despite record revenues.

The second largest long-distance carrier [illegible] $123m, or 48 cents a share, down from $156m, or 62 cents, a year [illegible] to just over $2bn from $1.8bn, [illegible] operating [illegible] fell [illegible] $265m from $283m.

Mr Bert Roberts, president, blamed the decline on [illegible] recession and competitive pressures. He [illegible] that MCI had launched [illegible] unusually large number of [illegible] in recent months, notably [illegible] Family, which offers discounts [illegible] residential subscribers for frequently-called numbers.

MCI has [illegible] 13 per cent share of the long-distance market. Although MCI's share was boosted by last year's acquisition of [illegible] USA, the fourth-biggest operator, it was expected to have garnered [illegible] larger slice of the market by now.

Mr Courtney Mun[illegible], analyst at Northern [illegible] Information, [illegible] problems have [illegible] compounded by aggressive cost-cutting.

"In trying to improve margins they've cut corners in customer service," he said. [illegible] surveys by NBI indicate that, despite a host of impressive new services, MCI's image in the marketplace has deteriorated as a result of the belt-tightening measures.

Costs and interest hurt Rand coal arm

By Philip Gawith in Johannesburg

WITBANK Collieries, the coal arm [illegible] the [illegible] Mines group, suffered the effects of rising [illegible] and higher finance charges to record lower earnings in the six months ended March 1991.

Turnover rose by 18 per cent to R569.4m ($210m) but tighter margins saw [illegible]ting [illegible] only [illegible] cent higher at R106.5m.

A sharp drop in investment income and [illegible] 27 per cent rise in the interest charges to R26.3m, the result of the Middelburg mine purchase, [illegible] after-tax profits 13 [illegible] lower at [illegible].

[illegible] half-year dividend is being maintained at 210 cents a share but the directors expect profits for the full year to show a decline.

In 1989-90, Witbank, one of South Africa's four [illegible] producers, contributed R163.2m, [illegible] 73 [illegible] cent of Rand Mines' total attributable profits.

Export tonnages increased by [illegible] per cent, mainly [illegible] a result of the first-time inclu[illegible] of Middelburg. The effects of an economic slowdown were seen in the domestic market where sales declined by [illegible] per cent. Sales to [illegible], the power utility, increased by 13 per cent.

The directors [illegible] that [illegible] increased turnover was mainly volume related, with margins [illegible] because [illegible] increased rail [illegible] while inflation-induced cost increases were not offset by export revenues which were held in check by the firmness of the rand.

Pet food profits help 4% rise at Quaker Oats

By Bernard Simon

HIGHER pet food profits were a key contributor to Quaker Oats' 4 per cent rise in earnings from continuing operations in the three months ended March 1991.

Earnings for the period, which is the Chicago-based food processor's third fiscal quarter, rose to $63.1m, or 82 cents a share, from $60.4m, or 77 cents a share, a year earlier.

Net sales climbed to $1.33bn from $1.27bn.

Last year's third-quarter fig[illegible] exclude a $34.8m loss suf[illegible] by Fisher-Price, the toy maker which the group plans to spin off to shareholders.

Quaker said yesterday that the deal is awaiting completion of an internal audit required to transfer the business to a new corporation.

Nonetheless, it hopes to complete the spin-off by June 30.

Operating [illegible] dropped by 8 per cent, largely due to lower profits from Brazil.

But this was more than offset by a near-halving in financing costs, due to lower interest rates in Brazil.

Both North American and overseas operations were bolstered by strong sales of pet food.

US sales were helped by a relaunch of a key dog food brand.

Mr William Smithburg, Quaker's chief executive, said he expects "solid" earnings growth in the current quarter and the largest percentage of quarterly earnings for the year.

Schneider may lift Square D offer

By Barbara Durr in Chicago

GROUPE SCHNEIDER, the French electrical products maker, revealed yesterday it was willing to increase its offer for Square D, of Illinois, if a merger along the lines it has proposed can be agreed promptly.

But, according to a trade paper report, Square D is seeking finance for a leveraged recapitalisation.

In a letter to Mr Jerre Stead, Square D chairman, Mr Didier Pineau-Valencienne, Schneider's chairman, urged the Square D board not to enter into any commitment or course of action that would deny Schneider the chance to negotiate its proposal "on an equal basis".

Square D has spurned a Schneider offer made last February of $78 per share, or $1.9bn, which it considers inadequate. The offer has, however, lead to Square D's shareholders tendering 78 per cent of the company's shares.

In a March filing with the Securities and Exchange Commission, Square D said it would pursue the possibilities of a leveraged buyout or reorganisation, as well as finding another partner for a merger or alliance.

According to a report yesterday in the daily trade paper, The American Banker, the US company recently asked seven US banks to consider providing more than $1bn in financing for a leveraged recapitalisation.

The deal would be the largest leveraged recapitalisation in more than a year.

Square D commented on the report, saying: "It should come as no surprise to anyone that Square D's board of directors has been actively pursuing a full range of [illegible]."

A recapitalisation could be used to declare a special dividend which would serve as compensation for not selling to Schneider. The price of Square D's shares have appreciated some 50 per cent since the Schneider offer.

Although a large percentage of shares has been tendered, their purchase [illegible] Schneider cannot be completed until the Square D board agrees [illegible] conditions: first, that it lift its legal obligation requiring a hostile takeover bidder to acquire 85 per cent of the shares; and, second, that it remove a poison pill prov[illegible] from company by-laws. [illegible] board has so far refused [illegible] so.

Bankers Trust suffers from weak dollar

By Bernard Simon

BANKERS Trust, the highly-regarded US banking group, suffered a 19 per cent fall in first-quarter earnings. A strong advance in trading income was more than offset by higher non-interest expenses, [illegible] foreign exchange revenues and write-offs on investments in highly-leveraged companies.

Net earnings slipped to $160m, or $1.85 a share, from $198m, or $2.36, a year earlier. Interest income fell only slightly [illegible] $213m.

The company blamed an 8.4 per cent rise in non-interest expenses partly on the weaker dollar, which accounted for about a quarter of the increase. Staff severance costs jumped by $40m.

Trading revenues almost doubled to $304m, thanks largely [illegible] a strong performance by the capital markets business, which includes interest rate, currency and equity derivative products. But corporate finance fees tumbled by 23 per cent.

Loans on the bank's books continue to fall sharply, reflecting the policy of the past four years of distributing a higher proportion of loans to other financial institutions, such as regional and foreign banks, insurance companies and pension funds. Its total loan portfolio stood at $19.6bn on March 31, down from $29.2bn in 1986.

Securities houses reinforce revival

By Patrick Harverson in New York

SALOMON and Morgan Stanley, two of the largest securities houses in the US, provided fresh evidence [illegible] revival in Wall Street's fortunes yesterday when they unveiled big increases in first-quarter profits.

Salomon reported record net income of $273m, or $2.30 a share, more than double the $119m earned a year earlier on revenues of $690m. Total net revenues were $1.18bn, against $690m in 1990.

Morgan Stanley posted a 46 per cent rise in net income to $120.1m, or $3.07 a share, based on net revenues of $747.8m, up from $578.2m in 1990.

A string of Wall Street firms has reported dramatically-improved profits for the quarter, a result of the boom in New York share prices, the big rise in trading activity, and the recovery in the underwriting of new stock and bond issues.

For Salomon and Morgan Stanley, the main factor behind the improvement was the large rise in revenues from principal trading activities, especially stocks and bonds.

At Salomon, income from principal transactions rose nearly 50 per cent to $968m on the back of strong earnings from proprietary trading and market-making in equities, mortgage-backed securities, corporate bonds and government issues. Overseas earnings were also healthy, especially on European fixed-income securities and Asian equities.

Investment banking revenues rose by $15m to $99m at Salomon, primarily due to a doubling in business from new issues of corporate stocks and bonds, high-yield debt and mortgage-backed securities.

The two areas where Salomon performed less impressively were real estate and Phibro Energy, the company's oil trading subsidiary, which posted pre-tax earnings of $5m, against $7m a year earlier.

The cost of moving to a new headquarters in Manhattan, and an increase in benefits and bonuses paid out alongside higher profits, pushed Salomon's non-interest expenses up to $696m, against $489m a year earlier.

The earnings picture was similar at Morgan Stanley, where a strong performance from global sales and trading activities, particularly in fixed income, equities, foreign [illegible] and commodities, lifted revenues from principal transactions to $392.6m, up from $277.7m in 1990.

Income from investment banking business rose 14.5 per cent, with increased debt and equity underwriting volume offsetting a decline in financial advisory activity.

A 33 per cent rise in compensation and benefits expenses to $373.9m accounted for the bulk of the increase in total outgoings at Morgan Stanley, which totalled $544.2m in the quarter, up from $436.6m at the same stage a year ago.

RJR in the black with $5m

By Nikki Tait in New York

RJR NABISCO, the tobacco and food group which was subject to the biggest leveraged buyout in the US two years ago, yesterday reported a small after-tax profit of $5m in the first quarter of 1991.

It is the first time RJR has made a profit after interest and tax since the massive $25bn takeover masterminded by Kohlberg, Kravis Roberts, the investment banking business. In the first quarter of 1990, RJR reported a net loss of $222m.

News of the surplus seemed to surprise some Wall Street analysts, who greeted the figures warmly. "It's positive – we were expecting a small loss," commented one high-yield analyst at Salomon Brothers.

On the stock market, RJR shares rose in morning trading in New York by ⅜ to $11⅞, while its junk bonds also advanced on the profit news. The company has just completed the latest in a series of refinancing exercises aimed at reducing the cost of its outstanding debt.

The most recent restructuring involved the issue of 115m new shares, to raise $1.29bn, plus a $1.5bn tranche of new junk bonds.

During the first quarter, RJR's operating profits rose to $647m, 7 per cent higher than the same period a year earlier, with "cash earnings" – that is, before interest, tax, depreciation and amortisation – [illegible] improved [illegible] $940m against $923m.

[illegible] overall were 8 per cent higher at $3.47bn.

Of the two main business divisions, food showed the more marked advance. Sales rose from $1.34bn to $1.51bn, while operating profits (ahead of amortisation charges) were 21 per cent higher at $171m.

On the tobacco side, sales rose 5 per cent to $1.96bn, while profits edged 2 per cent higher at $648m. The company reported "significant volume gains" overseas, but said its domestic volumes were still falling by more than the market generally – the latter figure standing at around 3 per cent a year.

The flow of debt refinancings has helped to push down interest costs. In the first quarter, cash interest expense was $307m from $388m.

Northern Telecom [illegible] records

By Robert Gibbens in [illegible]

[illegible] markets, especially for central [illegible] switching equipment, and inclusion of Britain's STC's results brought record profit, revenues and orders for Northern Telecom in the first quarter.

Northern, controlled by BCE, the Montreal telecommunications holding [illegible], reported earnings of US$88.1m, or 36 cents [illegible] share, up 20 per cent from [illegible] or [illegible] cents, [illegible] year earlier, on revenues of US$1.85bn against US$1.57bn.

Mr Paul Stern, chairman, said that, despite the recession, world political and economic uncertainties and tough competition, demand was good for virtually all Northern's products. STC and Northern have been integrated "to support our strategy of growth through globalisation."

The US telecom equipment business continued [illegible] be good, but Canadian volume was down due to the [illegible] and changes in tax law. Offshore markets showed the best gains.

Central office switching and STC's non-telecom [illegible] recorded big gains in revenues.

Overall expenses were up slightly to 19.8 per cent of sales, but this ratio should improve later in the year. Total research spending was US$207m, against US$176m or 11 per cent of revenues.

"We remain cautiously optimistic Northern will perform well through [illegible]," said Mr Stern, "and further integration of STC will yield more efficiencies."

Wide margins lift Texaco 26% in first quarter

By Bernard Simon in New [illegible]

THE WIDE refining margins prevalent throughout the oil industry lifted Texaco's earnings by 26 per cent in the first quarter.

Thanks to a doubling in operating profits from refining and marketing, earnings of the [illegible] third biggest integrated oil company rose to $415m, or $1.51 a share, from $328m, or $1.15, a year earlier. Revenues [illegible] to $10.2bn from [illegible].

But [illegible] earnings from exploration and production fell to $282m from $317m. The company ascribed [illegible] drop [illegible] maintenance [illegible] UK facilities, lower heavy crude prices in the US, and the impact of the mild North American winter on natural gas volumes and prices.

These negative factors were only partly offset by higher crude output in Indonesia and production from a new field in China.

First-quarter capital spending jumped by a third to $791m, due largely to expanded exploration and production activity in the US and the North Sea.

[illegible] Phillips Petroleum suffered a sharp drop in first-quarter earnings due largely to several non-recurring and non-operational [illegible]. Net earnings fell to $160m, or 62 cents [illegible] share, [illegible] or [illegible] a year [illegible].

Without these items, which include a $70m gain from asset sales this year and special gains last year of $148m, earnings would have risen to $149m from $107m. Revenues rose to $3.5bn from $3.1bn.

ITT starts year with 9.4% fall [illegible]229m

By Nikki Tait

ITT, the US conglomerate with interests ranging from defence to insurance, reported a 9.4 per cent fall in first-quarter profits, to $229m after tax.

Earnings per share also fell, from $1.77 to $1.7, but, in both cases, comparisons were distorted by one-off items.

On the one hand, the first quarter of 1991 took in portfolio gains of $35m – or 26 cents a share – mainly at ITT Hartford, the insurance arm. This contrasted with portfolio gains of $4m, or 3 cents a share, in the corresponding period a year earlier.

On the other hand, the first quarter of 1990 was boosted by an after-tax gain of $47m from the sale of the stake in Alcatel Alsthom. ITT said that without this item, net income in the first quarter would have improved by 18 per cent.

ITT said that its electronic components business improved on higher volumes and better efficiencies at ITT semiconductors. ITT Defence also had a better quarter due to more favourable margins on certain contracts and despite lower sales.

The fluid technology business was "slightly down" but ITT automotive and the group's forest products division both saw sharper falls.

Whirlpool sees earnin[illegible] down 17.2%

By Nikki Tait

PROBLEMS in its difficult home market left Whirlpool, the world's largest maker of home appliances, reporting a 17.2 per cent fall in first-quarter earnings at $24m after tax, against $29m in 1990.

Sales fell marginally, [illegible] $1.62bn from $1.64bn last year.

Whirlpool said part of the decline reflected continuing difficulties with its Brazilian affiliates. The Michigan-based company took in a net loss of $17m from its equity interest here, and said operations were hampered by a price freeze on many consumer durable items.

It added that, if the effect of the Brazilian business were excluded, underlying earnings were down by 15 per cent from the first quarter of 1990.

Whirlpool distinguished between [illegible] European operations, which fared well during the quarter, and the domestic position. On the former, it said sales and earnings from [illegible] joint venture with Philips, the Dutch electrical group, improved from the previous year, helped by volume growth and favourable currency translation.

In the US, Whirlpool conceded that shipments declined – although it said its own decline was less than the industry average , which showed a 16 per cent fall.

Mr David Whitman, chairman, said he expected a "gradual recovery" in this area.

Bethlehem posts [illegible] of $39.2m

By Nikki Tait

WEAK demand and mounting costs have lead Bethlehem Steel, the second largest US steel manufacturer, to unveil a $39.2m loss after tax in the first three months of 1991. In the same period a year ago, the company made a profit of $21.3m.

Bethlehem warned it expected to report a further deficit in the second quarter of the year, despite "a slight seasonal upturn".

"While there are some signs of stability and potential recovery for the economy . . . the outlook remains uncertain because of high unemployment, credit constraints and the recent strengthening of the dollar," the company said.

But the Pennsylvania-based company said it was still studying the possibility of a collaborative venture [illegible] British Steel. The venture, announced in outline [illegible] this year, would involve the UK company in taking over and reorganising the US group's [illegible]diaries which make structural and rail steels.

Yesterday, Bethlehem said that, as part [illegible] a [illegible] study, talks were [illegible] held with the United Steel Workers Association "concerning the joint venture's requirements for competitive labour costs".

Bethlehem had warned it would probably post a first-quarter loss, although it did not specify the extent of the expected deficit.

Bethlehem said the basic steel division turned in an operating [illegible] of $26m, against a profit [illegible] a year ago.

Steel-[illegible] operations made an operating loss of $7m, against a $4m deficit in the first quarter of 1990. As a result, the overall loss at the operating level reached $33.3m, compared with $25m profit last year.

Milacron dips into the red

By Bernard Simon

CINCINNATI Milacron, one of the world's biggest machine tool makers, slipped into the [illegible] in [illegible] first quarter on the back of weak demand and heavy price discounting.

However, the company reported a pick-up in new orders, with a first-quarter inflow 6 per cent higher than a year earlier and 14 per cent up on the previous three months. The order backlog [illegible] widened during the quarter.

Milacron suffered a $5.9m loss, or 22 cents [illegible] share, in the first quarter, against [illegible] of $2.5m, or 10 cents [illegible] share, a year earlier. [illegible] dipped [illegible] $181.1m from $184.2m.

Mr Daniel Meyer, chief executive officer, said slack business conditions were especially evident in standard machine tool, grinding machine and plastics machinery sectors.

He said stringent cost controls combined with new products and an expanded distribution network should return the company to break-even in the second quarter.

First Executive receives $643m tax claim

By Nikki Tait

ATTEMPTS to rehabilitate Executive Life of California, the main operating unit of troubled Los Angeles-based insurer First Executive, have run into a serious obstacle from the Internal Revenue Service, which claims to be owed $643m.

Mr John Garamendi, the Californian insurance commissioner who seized control of Executive Life earlier this month, warned that the move "could force the company into liquidation and jeopardise the savings of hundreds of thousands of policyholders and annuitants".

The Los Angeles office of the IRS, however, said that while it was obviously concerned about policyholders' welfare, it had a duty to the US public to make sure demands for back tax were logged.

The IRS claim covers tax which the authorities say the company should have paid in 1981, 1982 and 1983, together with penalties and interest due because of the non-payment. The IRS declined to split the tax sum from the penalty/interest charges, although there were reports that the actual tax claim totalled less than $250m.

The IRS acknowledged that the penalties/interest element was likely to be substantial.

The Californian regulators have recently suggested that rehabilitation efforts were centring on talks with a European consortium, led by Altus, part of Crédit Lyonnais, the French bank.

Officials at the Insurance Department said they did not know what the reaction of the consortium had been to the tax demand.

However, Mr Garamendi said he would "do everything in my power to stop this IRS raid on the assets needed to pay Executive Life policyholders. I plan to immediately contact both the Bush administration and Congressional leaders," he added.

INTERNATIONAL CAPITAL MARKETS

Treasuries firmer on drop in durable goods orders

By Patrick Harverson in New York and Sara Webb [illegible] London

US GOVERNMENT bond prices firmed yesterday after a large decline in monthly durable goods orders revived hopes of another interest rate cut.

In late afternoon trading, the benchmark [illegible]-year Treasury bond was up ⅛ at 95⅝, yielding 8.265 per cent. The two-year note was up ⅛ at 100⅛, to yield 7.016 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	103-20	[illegible]	[illegible]	10.64	[illegible]
		9.000	03/00	[illegible]	+03/32	[illegible]	[illegible]	10.11
		9.000	[illegible]	[illegible]	[illegible]	9.85	9.84	9.89
US TREASURY *		7.750	[illegible]	[illegible]	+07/32	[illegible]	[illegible]	[illegible]
		7.875	[illegible]	[illegible]	+06/32	[illegible]	[illegible]	[illegible]
JAPAN	No 119	4.800	[illegible]	[illegible]	+0.048	7.09	7.02	[illegible]
	No 129	6.400	[illegible]	[illegible]	+0.137	6.71	6.85	[illegible]
GERMANY		9.000	01/01	[illegible]	[illegible]	[illegible]	8.38	[illegible]
FRANCE	BTAN	9.000	02/96	99.7267	+0.187	9.05	9.03	9.20
	[illegible]	9.500	01/01	[illegible]	[illegible]	[illegible]	8.83	9.08
CANADA *		[illegible]	[illegible]	[illegible]	[illegible]	9.67	[illegible]	[illegible]
NETHERLANDS		8.500	[illegible]	99.4500	+0.310	[illegible]	[illegible]	8.71
AUSTRALIA		[illegible]	07/00	[illegible]	[illegible]	[illegible]	[illegible]	11.34
BELGIUM		10.000	08/00	105.1000	+0.350	9.14	[illegible]	9.12

London closing, *denotes New York closing
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

The morning news which sparked the gains was the 6.2 per cent fall in new factor orders for durable goods in March, a decline well in advance [illegible] market expectations.

The figures suggested that the economy remains depressed, and they add to the pressure [illegible] the Federal Reserve for another cut in interest rates to get the economy moving. However, at a Senate committee hearing yesterday, Mr Alan Greenspan, the Fed chairman, hinted that recent inflation numbers did not justify another rate cut.

His comments brought prices down from their highs, as did worries about the effect on the market of the upcoming Treasury note auction.

■NEWS that the Dutch state will launch its first 15-year bond boosted the Dutch government bond market yesterday.

The new bond is due in June, 2006, has an 8.5 per cent coupon, and is not callable. It will be sold through a series of tap sales starting on April 25.

Traders said there was strong demand among domestic pension funds and insurers. Many switched out of 10-year Dutch government bonds to buy the new 15-year bond in the grey market as the longer maturity provides a [illegible] match for their liabilities. The price of the new bond rose from 99.15 to close at 99.8, yielding 8.52 per cent.

In Germany, bund prices edged up in what traders described as a technical correction following Monday's fall. News that the Bundesbank left its one-month security repurchase rate unchanged at 8.60 per cent also provided some support for bunds, traders said.

The unchanged security repurchase rate was taken as a sign that the official discount rate would not be raised. However, currency players interpreted this as a lack of support for the D-Mark and wondered whether it would be allowed to slide against the dollar or whether central bank intervention would support it.

Several central banks intervened in the markets, selling dollars for D-Marks yesterday.

■IN London, gilts moved up in quiet trading ahead of today's auction for a £1.2bn tranche of 10 per cent conversion stock due 1996. Bids are due in the morning [illegible] expect most or all of the stock to be bought. The spread of bids is expected to be rather tight given [illegible] probable strong demand for the stock.

The existing stock is already trading at around 98.2 in the market, but the auction stock has the advantage [illegible] being part-paid (investors need only pay 50 per cent of the price [illegible] their bids are accepted) with the rest of the money due at the end of May.

■JAPANESE government bond prices rose yesterday in quiet trading.

The market expects the auction today to be for another tranche of the No 140 bond which is due in December 2001 and has a 6.6 per cent coupon. Traders expect about Y800bn of the stock to be auctioned but expressed concern over the lack of appetite for new issues.

The yield on the benchmark No 129 opened in Tokyo at 6.735 per cent, moving to 6.69 per cent, and trading in London at around 6.715 per cent.

ANZ sells stake in Advance Bank

AUSTRALIA and New Zealand Banking Group has sold its [illegible] per cent stake in the Advance Bank Australia, Reuter reports from Sydney. The sale was made to an undisclosed consortium organised by stockbroker BZW Australia.

ANZ said that the stake was originally bought as a first step in the possible expansion of ANZ's retail banking business in [illegible] South [illegible] [illegible] Bank is [illegible] through merger or acquisition of Advance.

"We have since reviewed our group strategy, which will now be pursued through organic retail growth of our existing network," ANZ said in a statement.

ANZ in March sold a 3 per cent stake in Metway Bank, which had similarly been bought for a possible [illegible] acquisition [illegible] merger to enhance ANZ's standing in Queensland [illegible]

But ANZ said it plans to retain its 10.2 per cent of the small Challenge Bank and its 3.3 per cent in competitor National Australia Bank.

These shareholdings would be held for strategic reasons, and no decision has been made to sell them.

Hungary to launch convertible bonds

By Nicholas Denton in Budapest

HUNGARY plans to launch convertible bonds on the back [illegible] its privatisation programme, according to the official news agency.

The bonds could be used to buy shares in some of the companies in Hungary's First Privatisation Programme, Mr Frigyes Harshegyi, deputy president of the central bank, told the MTI wire service.

The dollar bond issue would take place after companies had been introduced to the stock exchange.

About 15 of the 20 companies included in the First Privatisation Programme may be floated on the stock exchange from the middle of the year, according to [illegible] They include Hungarhotels, Pannonia and Danubius, Hungary's three largest hotel companies, Richter Gedeon, [illegible] largest pharmaceuticals manufacturer, and Centrum, [illegible] extensive chain of department stores.

The scheme would be [illegible] imaginative way of interweaving two important government aims: servicing Hungary's $21bn foreign debt, the largest per capita in eastern Europe; and fuelling investor demand for Hungary's ambitious privatisation programmes.

But it is unclear how the scheme would mesh with the plans already being drawn up by advisers hired to privatise the 20 companies in the second half of 1991. Moreover, the Hungarian government [illegible] already planning [illegible] issue bonds convertible into privatised assets in compensation for property expropriated by the Communists. These, stock exchange officials fear, may flood the market and quickly trade at a discount.

The idea of issuing convertible bonds is part of the Hungarian National Bank's effort to return to favour on international money markets.

Hungary recently announced a DM150m bond issue after an DM200m issue last month was oversubscribed. With the latest issue, the central bank was able to narrow last month's 250 basis point spread over bund yields.

Mr Harshegyi recently said that $1bn-worth of bonds would be issued this year, about three-quarters of that in Japan and Germany.

Five Mexicans face insider deal charges

By Damian [illegible] in Monterrey

[illegible] were accused yesterday by the [illegible] and Exchange Commission of profiting from inside information when buying shares in Anchor Glass, an American glass company bought by Vitro of Mexico in 1989.

The five Mexicans include a former director of exports at Vitro, Mexico's largest industrial company, and a prominent investor Mr Ernesto Tinajero.

According to the charges, the investors bought 150,000 [illegible] of Anchor Glass for US$1.7m. [illegible] bid for Anchor [illegible] was announced the shares were sold netting the investors a profit of $1.2m.

Insider trading is widely believed to be prevalent in the Mexican bourse, but Mexican authorities are much laxer than those in the US in enforcing rules against it.

The Monterrey newspaper El Norte suggested that the Anchor Glass case should be a lesson for Mexican regulators.

Venezuela's debt reviewed by Moody's

By Tracy Corrigan

VENEZUELA'S foreign debt has been placed under review for a possible upgrade by Moody's Investor Service, the US rating agency. Venezuela has outstanding debt totalling around $1bn in the Euromarkets, according to the agency.

The debt is denominated in D-Marks and yen, as well as dollars.

Moody's said the review was prompted by the Venezuelan government's efforts to reduce macroeconomic imbalances and to liberalise the economy. The government has also restructured its external finances with creditor banks, Moody's noted.

The move marks a further step in the increasing acceptability of Latin American borrowers in the Euromarkets. For example, Petroleos de Venezuela, the Venezuelan oil company, raised DM200m last October.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on April 23

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY [illegible]	150	[illegible]	102		7.97
ALBERTA [illegible]	600	[illegible]	103¼		8.39
AUSTRIA [illegible]	400	[illegible]	98⅝		[illegible]
BANK OF [illegible]	100	[illegible]	99¼		[illegible]
BELGIUM 9 1/8 92	400	[illegible]	102½		[illegible]
BFCE 7 3/4 97	150	97⅛	98⅛	+⅛	[illegible]
BNP 8 5/8 94	300	101⅝	102		[illegible]
BP CAPITAL 9 5/8 93	150	102½	103⅛		[illegible]
CANADA 9 96	1000	103⅝	103⅝		[illegible]
CARCO 9 1/4 96	650	99⅝	100	+⅛	[illegible]
CCCE 9 1/4 95	300	103⅛	104		[illegible]
COUNCIL EUROPE 8 96	100	98⅜	98⅞	+⅛	[illegible]
CREDIT FONCIER 9 1/2 99	300	104⅛	104½	-⅛	[illegible]
DENMARK 0 98	250	54⅞	55⅛		[illegible]
DENMARK 8 1/4 94	150	100⅝	101		[illegible]
EESC 8 1/4 96	193	99⅞	100⅛		[illegible]
EEC 7 1/4 93	250	99⅛	100		[illegible]
EIB 7 3/4 96	250	[illegible]	[illegible]	+⅛	[illegible]
EIB 9 1/4 97	1000	[illegible]	[illegible]		[illegible]
ELEC DE FRANCE 9 98	200	[illegible]	[illegible]		[illegible]
EUROFIMA 9 1/4 96	100	[illegible]	[illegible]	-⅛	[illegible]
EXPORT DEV CORP 9 1/2 98	150	[illegible]	[illegible]	-⅛	[illegible]
FINLAND 7 7/8 97	200	[illegible]	[illegible]	-⅛	[illegible]
FINNISH EXPORT 9 3/8 95	300	103⅛	[illegible]		[illegible]
FORD MOTOR CREDIT 9 1/2 93	300	102½	[illegible]	-⅛	[illegible]
GEN ELEC CAPITAL 9 3/8 96	300	103⅝	104⅛		[illegible]
GMAC 9 1/8 96	200	101	101½	-⅛	[illegible]
HALIFAX 9 1/2 93	200	102⅝	103⅛		[illegible]
IBM WORLD TRADE 7 5/8 93	150	98⅞	99⅜	+⅛	[illegible]
IND BK JAPAN FIN 7 7/8 97	200	96⅛	96⅝		[illegible]
INTER AMER DEV 7 5/8 96	200	96⅛	[illegible]	+⅛	[illegible]
ITALY 8 1/2 94	1500	101⅛	[illegible]		[illegible]
JAPAN DEV BK 8 94	150	100½	100⅞		[illegible]
KANSAI ELEC PWR 10 96	350	104½	105	-⅛	[illegible]
LTCB 8 5/8 93	150	101⅛	101⅝		[illegible]
NEW ZEALAND 8 93	100	100	100½		[illegible]
NIPPON CRED BK 9 3/4 93	150	103⅛	103⅝		[illegible]
NIPPON TEL & TEL 9 3/8 95	200	103⅝	104⅛		[illegible]
NORDIC INV BANK 9 93	200	102½	102⅞		[illegible]
ONTARIO HYDRO 11 5/8 94	200	108⅝	109		[illegible]
OSTER KONTROLLBANK 8 1/8 93	200	101	101⅜		[illegible]
PETRO-CANADA 7 1/4 96	200	94⅞	95⅜	-⅛	[illegible]
PRUDENTIAL RLTY SECS 0 99	365.216	50⅛	50⅝		[illegible]
QUEBEC HYDRO 9 3/4 98	150	103⅛	103⅝		[illegible]
QUEBEC PROV 9 98	200	99⅞	100⅜		[illegible]
SAINSBURY 9 1/8 96	150	101⅛	101⅝		[illegible]
SAS 10 99	200	99½	100⅛	-⅛	[illegible]
SBAB 9 1/2 95	500	103⅝	104		[illegible]
STATE BK STH AUST 9 1/4 93	100	101⅛	102⅛		[illegible]
SUMITOMO BK CAP MKT 9 3/8 93	150	102⅝	103		[illegible]
SWEDEN 8 1/8 94	150	100	100⅝		[illegible]
SWEDISH EXPORT 9 5/8 93	100	103⅛	103⅝		[illegible]
TOKYO METROPOLIS 8 1/4 96	200	99⅛	99⅝		[illegible]
WORLD BANK 8 3/8 99	1500	99⅛	99½	-⅛	[illegible]
WORLD BANK 8 3/4 97	1500	102⅛	102⅝	-⅛	[illegible]
XEROX CORPN 8 3/8 96	100	94⅛	96	-⅛	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 8 94	200	[illegible]	98⅛	+⅛	[illegible]
CNT 6 1/8 98	200	[illegible]	84⅛	-⅛	[illegible]
CREDIT FONCIER 6 3/4 99	500	[illegible]	87⅛	+⅛	[illegible]
DEUTSCHE BK FIN 5 3/8 96	750	[illegible]	[illegible]	-⅛	[illegible]
DEUTSCHE FINANCE 7 1/2 95	1000	[illegible]	[illegible]		[illegible]
EEC 5 3/8 93	300	[illegible]	[illegible]	-⅛	[illegible]
EIB 6 7/8 95	300	[illegible]	[illegible]	-⅛	[illegible]
EUROFIMA 6 1/4 98	400	[illegible]	[illegible]	-⅛	[illegible]
FELDMUEHLE FINANCE 8 99	200	[illegible]	[illegible]		[illegible]
FERRO DEL STAT 5 3/8 93	500	[illegible]	[illegible]		[illegible]
IND BK JAPAN FIN 5 5/8 96	200	87½	87½	-⅛	[illegible]
INTER AMER DEV 7 1/4 99	300	92⅛	92⅝	-⅛	[illegible]
LUFTHANSA INT FIN 5 7/8 98	500	[illegible]	85⅛	-⅛	[illegible]
MET EST & PROP INTL 7 99	150	[illegible]	85⅛		[illegible]
QUEBEC HYDRO 6 3/4 99	300	[illegible]	87⅛		[illegible]
SWEDEN 6 1/8 98	300	[illegible]	88⅛	-⅛	[illegible]
WORLD BANK 0 15	2000	[illegible]	16⅛	-⅛	[illegible]
WORLD BANK 5 3/4 96	300	[illegible]	89⅛	-⅛	[illegible]
WORLD BANK 7 1/8 95	500	[illegible]	95⅛	-⅛	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	93	93½		6.65
AUSTRIA 4 5/8 98	100	90½	91½	+½	6.39
CHUJITSUYA 7 3/4 95	50	102	102½		7.18
COUNCIL EUROPE 4 3/4 98	250	89	89½	-1	6.82
EEC 5 1/2 00	100	92	93	+½	6.65
EIB 5 3/4 93	100	97½	98½	-¼	6.85
ELEC DE FRANCE 7 1/4 06	100	104½	105		6.75
FINLAND 5 3/8 95	150	95½	[illegible]		6.55
GENERAL MOTORS 7 1/2 95	100	103	[illegible]	+½	6.61
JAPAN DEV BK 5 1/2 94	100	96¼	[illegible]	+¼	6.80
NEW ZEALAND 4 7/8 99	200	89	89½		6.73
QUEBEC HYDRO 5 08	100	80½	81¼		7.00
SKANDINAVISKA ENSK 6 1/2 95	100	98½	99½		6.96
WORLD BANK 5 03	150	86	86½		6.70
WORLD BANK 7 1/4 92	100	100½	101		6.78

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	94¼	94⅝		7.12
CANADA 4 3/8 92	80000	96¼	97		7.35
CREDIT FONCIER 5 1/4 94	20000	93¾	94¼		7.24
DENMARK 7 95	40000	99⅞	100¼	-¼	7.03
EIB 4 5/8 94	40000	93⅛	93⅝		7.13
GENERAL ELECTRIC 5 3/4 93	35000	96⅛	97⅛		7.61
INTER AMER DEV 7 1/4 00	30000	102⅛	102⅝		6.89
ITALY 5 3/4 92	150000	98⅛	99		7.34
KANSAI ELEC PWR 4 5/8 94	60000	92⅞	93⅛		7.34
NIPPON TEL & TEL 5 7/8 [illegible]	50000	95⅛	95⅝	+¼	6.86
NORWAY 5 1/8 95	50000	93⅝	93⅞		7.03
SWEDEN 5 5/8 95	20000	94⅛	95⅛		7.07
WORLD BANK 6 3/4 00	50000	99⅞	99⅞		6.80

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 3/4 LFr	600	[illegible]	99⅛		9.49
KREDIETBANK 7 93 LFr	1000	[illegible]	99⅛		9.45
WORLD BANK 8 96 LFr	1000	[illegible]	96⅛		9.13
AMRO BANK 6 1/4 92 Fl	150	[illegible]	96⅛		9.70
RABOBANK 5 3/4 93 Fl	150	[illegible]	95		9.24
ALBERTA PROVINCE 10 92 C$	500	98⅞	100⅛		10.15
BCE INC 9 5/8 93 C$	300	98⅞	99⅜		10.27
BELL CANADA 10 5/8 99 C$	150	99⅞	100⅛	+⅛	10.63
BRITISH COLUMBIA 9 1/4 95 C$	150	98⅞	99⅜		9.91
EIB 10 1/8 98 C$	130	100⅛	[illegible]		10.04
FORD CREDIT CANADA 10 94 C$	100	97⅞	[illegible]	+⅛	10.76
GENERAL ELECT CAP 10 1/4 93 C$	175	100⅛	[illegible]	+⅛	9.95
MONTREAL TRUSTCO 8 1/2 92 C$	100	98	[illegible]	+⅛	10.62
ONTARIO HYDRO 10 7/8 99 C$	500	101⅛	[illegible]	+⅛	10.60
QUEBEC PROV 10 1/2 98 C$	200	98⅜	[illegible]	+⅛	10.72
ROYAL TRUSTCO 10 1/4 93 C$	100	98⅜	[illegible]		10.99
SWEDEN 9 3/4 93 C$	250	99⅛	[illegible]	+⅛	9.88
BELGIUM 9 1/8 96 Ecu	1250	100⅛	[illegible]		9.02
CNT 7 3/8 93 Ecu	250	95⅛	[illegible]		9.87
CREDIT LYONNAIS 9 96 Ecu	125	96⅛	[illegible]	+⅛	9.84
DENMARK 7 5/8 96 Ecu	250	91⅛	[illegible]	+⅛	9.86
EEC 7 5/8 94 Ecu	200	96⅛	[illegible]	+⅛	9.22
EIB 10 97 Ecu	1125	105	[illegible]	+⅛	8.85
ITALY 10 3/4 00 Ecu	1000	109⅛	[illegible]	+⅛	9.17
UNITED KINGDOM 9 1/8 01 Ecu	2750	100⅛	[illegible]	+⅛	9.00
BMW FINANCE 14 1/2 92 A$	100	101⅛	[illegible]		12.52
COUNCIL EUROPE 13 93 A$	50	101	[illegible]	+⅛	12.31
EKSPORTFINANS 12 3/8 95 A$	75	102⅛	[illegible]		11.67
FORD CRED AUST 13 93 A$	50	99⅛	[illegible]	+⅛	13.11
ICI 15 1/2 92 A$	100	102⅛	[illegible]	-⅛	12.47
MCDONALDS CANADA 15 95 A$	100	108	[illegible]	+⅛	12.39
NAT AUSTRALIA BANK 14 3/4 94 A$	150	105⅛	[illegible]	-⅛	12.11
STATE BK NSW 14 1/4 99 A$	100	110⅛	[illegible]	+⅛	12.17
VOLKSWAGEN INTL 15 94 A$	100	106⅛	[illegible]		12.43
ABBEY NATL TREAS 13 3/8 95 £	100	105⅛	[illegible]	-⅛	11.45
BARCLAYS JERSEY 9 1/2 93 £	250	97⅛	[illegible]		11.21
BRITISH GAS 12 3/4 95 £	300	104⅛	[illegible]		11.12
DEUTSCHE BK FIN 11 94 £	225	100	[illegible]	-⅛	10.95
EIB 10 97 £	386.5	96⅛	[illegible]		10.89
FORD CREDIT FUNDING 9 5/8 93 £	50	95⅛	[illegible]		12.17
INTER AMER DEV 11 3/8 95 £	75	101⅛	[illegible]		10.85
ITALY 10 1/2 14 £	400	94	[illegible]		11.24
LAND SECS 9 1/2 07 £	200	81	[illegible]		12.26
LEEDS PERMANENT 9 1/4 93 £	50	95⅛	[illegible]		11.70
NORWAY 10 1/2 94 £	200	98⅛	[illegible]		10.95
ROLLS-ROYCE 9 5/8 93 £	150	95⅛	[illegible]		11.83
SAINSBURY 10 7/8 93 £	100	99	[illegible]		11.47
SKANDINAVISKA ENSK 13 1/8 95 £	100	104⅛	[illegible]	-⅛	11.62
WORLD BANK 11 1/4 95 £	100	101⅛	[illegible]		10.84
ABBEY NATIONAL 0 96 NZ$	100	53⅛	54½	+⅛	12.26
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	102⅛	103⅛		11.91
AIDC 7 7/8 93 FFr	600	96⅛	98⅛	-⅛	9.51
CREDIT LYONNAIS 10 95 FFr	3200	101⅛	102⅛	+⅛	9.42
EURATOM 7 5/8 98 FFr	500	91½	92	+⅛	9.29

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALBERTA PROVINCE 1/32 93	500	100.07	100.17	7.5938
ALLIANCE & LEICS 0.08 94 £	300	99.52	99.61	14.1425
BANCO ROMA 0.05 01	200	91.65	93.25	7.9363
BANCO SANTO SPIRITO 93	200	99.69	99.81	6.5000
BELGIUM 1/16 97 DM	500	99.95	100.08	9.1250
BFCE -0.02 96	350	100.04	100.14	[illegible]
BNP 05	300	96.79	97.29	6.1250
BRITANNIA 1/10 96 £	150	99.06	99.24	14.1625
CCCE 06 ECU	200	99.92	100.02	9.4435
CITIZENS FED 0.15 96	100	99.37	99.76	7.0250
COMMERZBK O/S FIN 93	200	99.82	99.92	6.5625
DENMARK -1/8 96	1000	99.54	99.64	6.5938
DRESDNER FINANCE 1/32 98 DM	1000	99.67	99.78	9.2188
ELEC DE FRANCE 1/8 99	400	100.17	100.59	7.0000
FERRO DEL STAT 94	200	100.50	100.70	6.8750
HALIFAX 1/10 94 £	200	99.74	99.84	13.6000
HILL SAMUEL 1/4 PERP	75	82.13	84.88	8.5000
MITSUI FIN ASIA 1/8 96	100	99.67	99.77	7.0000
MORGAN (JP) 1/4 97	250	98.68	99.38	7.0625
NAT WEST FIN 3/16 05	400	92.13	93.38	6.5000
NEW ZEALAND 93	500	99.71	99.81	6.5000
QUEBEC PROV 01	300	96.69	96.94	6.1250
RENFE 98	500	99.88	99.98	7.8750
SOCIETE GENERALE 96	300	99.04	99.14	6.3125
STATE BK VICTORIA 0.05 99	125	98.33	98.58	7.8625
UNITED KINGDOM -1/8 96	4000	100.04	100.07	6.1875

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.95	112⅛	113⅛	+8.47
ASDA-MFI 4 3/4 02 £	100	1.64	114⅛	115½	+55.02
BURTON GROUP 4 3/4 01 £	110	3.15	116⅛	118⅛	
EASTMAN KODAK 6 3/8 01	300	50.67	96⅛	97⅛	[illegible]
GOLD KALGOORLIE 7 1/2 00	65	1.0554	59⅞	60⅞	+29.09
GOODYEAR TIRE 6 7/8 05	150	80¼	63⅜	65¼	
GRACE (WR) 6 1/4 02	150	42⅛	86⅞	87⅞	+18.53
GRAND MET 6 1/4 02 £	100	6.58	119⅛	120⅛	-1.90
HAWLEY 6 02 PREF	400	1.91	89⅛	91⅛	+76.14
HILLSDOWN 4 1/2 02 £	150	4.16	108	109⅛	+72.80
INTL PAPER 5 3/4 02	200	68½	98⅞	99⅞	+6.66
LAND SECS 6 3/4 02 £	84	6.72	87½	88⅛	[illegible]
MITSUBISHI BK 1 3/4 02	300	2727.1	106	108	[illegible]
OGDEN 6 02	[illegible]	39.077	70⅛	71⅛	+42.61
PACIFIC DUNLOP 6 3/4 97	75	3.749	111⅛	112⅛	-0.60
TEXAS INSTRUMENTS 2 3/4 02	300	82⅛	83⅛	84⅛	+61.62
THORN EMI 5 3/4 04 £	103	7.48	111⅛	112⅛	+14.64

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month [illegible] above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

C&G steps into sterling floating rate note sector

By Simon London

CHELTENHAM & Gloucester Building Society stepped into the sterling floating rate [illegible] sector of the international bond market yesterday with a £125m deal, increased from £100m, lead managed by UBS Phillips & Drew.

The deal follows the reopening of the sector by the Woolwich Building Society last week, after six months during which floating rate funding could not be sold.

The four-year maturity of yesterday's issue was a year longer than the Woolwich deal and tested the readiness of investors to lock into this relatively illiquid market.

Lead managers responded to demands for higher fees from several firms and offered eight basis points for underwriting, against four basis points last week. However, several leading houses again declined to participate, arguing that fees of around 10 basis points would be commensurate with underwriting risk.

This did not appear to inhibit the progress of the deal however, with the issuer regarded as one of the few improving credits in the sector. The paper pays 15 basis points over the three month London interbank offered rate and was reoffered to investors at the fixed price of 99.69. At this level, the discounted margin is 24.5 basis points, very close to the return on the three-year Woolwich deal.

The lead manager reported strong demand from UK institutional [illegible] and some demand from continental European investors.

Elsewhere, investors anticipating further appreciation of the dollar were offered two virtually identical $200m three-[illegible] from state-backed European financial institutions.

Credit Local de France came with an issue lead managed by J. P. Morgan priced [illegible] yield [illegible] basis points over comparable US Treasury securities. [illegible] hours later, LKB Baden-Wuerttenberg offered paper via Nomura International at a yield spread of 47 basis points over treasuries.

[illegible] J.Sainsbury, the UK food retailer, is to redeem its outstanding £150m, 5 per cent convertible capital bond issue on June [illegible]. Investors holding unconverted bonds can either switch into equity at the conversion price of £2.62 or take a redemption payment. Under the redemption clanse, the bonds will be converted into preference shares, which will then be redeemed at par, plus a premium of 3 per cent.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	[illegible]	Maturity	[illegible]	[illegible] runner
US DOLLARS						
[illegible] France(a)†	200	7¼	[illegible]	[illegible]	1⅛/1.275	JP Morgan Secs.
LKB Baden-W[illegible]	200	7¼	[illegible]	[illegible]	1⅜/1.325	Nomura Int.
Skopbank(b)‡†	100	[illegible]	100.20	1994	[illegible]	Salomon Bros.
STERLING						
Cheltenham & Gloucester(c)‡†	125	(c)	100	1995	[illegible]	UBS Phillips & Drew
CANADIAN DOLLARS						
Merrill Lynch & Co.Inc.(a)†	100	10⅞	101.175	[illegible]	1⅞/1¼	Merrill Lynch Int.
FRENCH FRANCS						
[illegible] Technologies(d)§†	[illegible]	7	100	[illegible]	2½/1½	Lazard [illegible]
D-MARKS						
[illegible]	300	4	100	[illegible]	2¼/1½	[illegible] GmbH
[illegible]shi Electric Corp(a)♦	200	5½	100	[illegible]	2¼/1½	Deutsche Bank
Merrill Lynch & Co.Inc.(a)†	150	9¼	101.45	[illegible]	1.8/1	Merrill Lynch GmbH
BP America Inc.(e)†	125	zero	57.85	1998	-	Citibank AG
[illegible]	[illegible]	4	[illegible]	1995	2¼/1½	[illegible] Int.GmbH
Maruun Transport(a)♦	[illegible]	[illegible]	100	[illegible]	2¼/1½	Nikko Secs.GmbH
AUSTRALIAN DOLLARS						
St.Elec.Comm.of Victoria(f)†	125	12¼	101⅛	2001	2⅛/1⅜	Hambros Bank

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. [illegible] Coupon pays 25bp over 3-month Libor. Non-callable. c) Coupon pays 15bp over 3-month Libor. Minimum [illegible] rate of 5%. Non-callable. d) Redeemable in 3 equal tranches in 1997, 1998 and 1999 at 110%. Conversion premium [illegible] 10%. e) Implied yield at issue - 8.1326%. Non-callable. f) Amount increased from A$100m. Non-callable.

Treuhand may breach borrowing limit

By Katharine Campbell in Frankfurt

AN OFFICIAL in Bonn yesterday suggested that the Treuhand, the east German state-backed privatisation agency, was likely to breach its borrowing limit for 1991, possibly by DM3bn.

The agency, originally set a limit of DM25bn, is under pressure to extend its financial safety net as the unemployment unleashed by its restructuring programme becomes more controversial in the east.

The suggestion from Bonn came as the Treuhand confirmed plans to launch the largest D-Mark commercial paper programme since the market opened at the beginning of this year.

The DM2bn facility, arranged by Dresdner Bank with Deutsche Bank as co-arranger, will cover the agency's short and medium-term requirements.

D-Mark commercial [illegible] has only been allowed [illegible] the beginning [illegible], when the Bundesbank put aside its previous objections [illegible] a [illegible] in law [illegible] the constraint of seeking ministry of finance approval for each issuance.

In addition to the Treuhand programme, [illegible] programmes are already in [illegible] including DM500m for Daimler Benz, Germany's biggest industrial conglomerate, DM500m for BMW, [illegible] and DM250m [illegible] Südzucker, the [illegible] company.

Daimler Benz [illegible] market in mid-February and outstandings already amount [illegible] just under DM1bn. Much of the paper has been issued at the very short end of the market from seven days upwards.

The Treuhand has said it will tap the market in maturities between seven days and two years. Yesterday's programme marks the first incursion of another bank as arranger into a market [illegible] to [illegible] Bank, Germany's largest, had [illegible] to keep to itself. On four of the other six deals Deutsche had acted as sole dealer as well as arranger. JP Morgan and Westdeutsche Landesbank are both appointed dealers for the Treuhand.

Bank chief hits at settlement systems

By Richard Waters

SYSTEMS for settling securities transactions seldom allow for the transfer of securities only against payment, whatever they may claim, Mr Pen Kent, an executive director of the Bank of England, warned yesterday.

Speaking at a conference in London, Mr Kent said that many countries had improved their settlement [illegible] to meet the requirements laid down by the G30. Status reports on the level of development in 21 countries around the world will be produced by the G30 in the next few days, he said.

However, few had succeeded in developing a true system of delivery against payment, in which cash is released only against the delivery of securities, and vice versa. This leaves a residual risk in settlement systems which appear to offer buyers and sellers full security, he said.

"Perfect synchronisation [illegible] very difficult to achieve," Mr Kent warned. "In practice, settlement systems may well involve intermediaries explicitly or implicitly guaranteeing the performance of the principals to overcome timing incon[illegible]."

Ideally, he said, delivery versus payment should involve real-time transfer of cash [illegible] the time of the trade, with payments being made gross rather than netted out.

"More work needs to be done on [illegible]livery [illegible] payment (DVP). I do not think most systems do achieve DVP as I have described it," he said. "Many systems exchange stock against some form of payment. Legal title, however, may not be guaranteed. Payment [illegible] not be in immediate good funds. The system may rely on the good name of an intermediary such [illegible] bank or depository."

Mr Kent added that regulations which will [illegible] the development of Taurus, the UK's long-delayed new settlement system, will be published within days. The delay in the regulations, to be produced by Department of Trade and Industry, has already meant that the introduction of Taurus has been put off from October this year to next spring at the earliest.

Mr Kent warned [illegible] the regulations, when published, would be long and detailed, but that they have been designed "to minimise the changes to existing legal rights and obligations."

The International Councils of Securities Associations (ICSA), which represents self-regulatory authorities in the leading financial centres, closed its meeting in London with a call for greater international consultation in securities regulation, writes Simon London.

The two-day meeting discussed ways of improving the efficiency of multi-national securities offerings, the detection of malpractice in cross-border dealings and licensing of securities industry professionals to work internationally.

One area of concern is the delay in formulating capital adequacy guidelines for securities houses. Delays were placing securities firms at a competitive disadvantage, commented Mr Robin Hutton, director-general of the British Merchant Banking and Securities Houses Association.

Capital adequacy requirements for the securities industry are being examined by the Basle group of central bank regulators, the European Commission and the US and Japanese regulatory authorities. However, no guidelines are expected to be published before the [illegible] of this year.

Intermediaries warned of tough challenges

By Richard Waters

FT CONFERENCE

EUROPEAN SECURITIES MARKETS IN THE 1990s

MANY intermediaries operating in the European securities markets face significant challenges if they are to survive to the end of the decade, industry [illegible] warned yesterday.

[illegible] of a Financial Times conference [illegible] development of the European securities markets, Mr Herschel Post, chief operating officer of Lehman Brothers International, warned that the [illegible] of disintermediation that swept [illegible] banking world during the [illegible] could come to bear on many securities intermediaries in the coming years. This included stock exchanges themselves as well as brokers, he said.

Partly as a result of the shifting boundaries in the securities business, large institutions have already moved to integrate a range of intermediary functions, from acting as investment managers to being brokers and principals in securities trades.

This vertical integration would allow them to move [illegible] effectively between the different functions to meet opportunities, he said.

Mr Gerhard Eberstadt, member of the board of managing directors of Dresdner Bank, [illegible] this vertical integration as one of the indispensable components of any financial intermediary's strategy in the coming years.

Others, he said, were a clear, earnings-related focus on the segments and geographical areas in which an intermediary plans to operate; a focus on earnings rather than turnover; and a modern, customer-oriented distribution system.

Mr Eberstadt added that universal banks, similar to those in Germany, were best placed to take advantage of deregulation in Europe.

Universal banks do not suffer the [illegible] as investment [illegible] commercial banks to constantly try to over[illegible] regulatory hurdles by developing new financial products, he said.

"These (products) do not necessarily suggest a greater [illegible] of a more rigorous approach to risk management, as is often stated.

"They tie [illegible] important resources in circumvent artificially created hurdles, which [illegible] then [illegible] available for other, more productive purposes of financial [illegible]tion."

Universal banks do not suffer these pressures, since they can switch resources between commercial and investment banking, he said. "It is not difficult to forecast a global trend toward universal banking for the coming years," he added.

Responding to a question later, Mr Post said he did not believe investment business in Europe would concentrate into the hands of a few, large universal banks.

As had already happened in the US, investors in Europe would come to understand the benefits of selecting intermediaries on the basis of perfor[illegible] and [illegible] would lead [illegible] more varied choice.

Mr Howard Coates, deputy chairman of BZW equities, said that [illegible] challenges [illegible] intermediaries in Europe were greater than those they faced elsewhere in the world.

This is because, in addition to the challenges posed by deregulation, intermediaries had to cope with the problems of dealing in many, often small local markets, [illegible] the [illegible] securities often [illegible] traded [illegible] than one market. In addition, cultural and historic differences meant that different types of investor and issuer demanded a different approach from intermediaries.

BZW's response to the higher costs and lower income in [illegible] markets had been in part to focus on higher value products, and in part to pare each business so that it could survive even in difficult periods.

Different equities, such as French equities, are treated as different products and given their own profit and loss account, he said. In addition, BZW now reviews its customers by the profits that the firm generates from business it does with them.

BZW to shut US equities operation

By Bernard Simon in New York

BARCLAYS de Zoete Wedd is closing its US equities operations and laying off 15 per cent of its staff, just a year after hiring a number of top-flight analysts to set up the business.

The investment banking and securities arm of Britain's Barclays Bank said yesterday that a [illegible] had concluded that "the cost of building and maintaining a [illegible] in US equities wouldn't produce adequate returns in the forseeable future."

A BZW official in New York indicated that, even with the recent upturn in the securities business, the firm [illegible] found it difficult to compete against established US securities dealers with far greater resources.

She described the venture as an "opportunistic [illegible] proved untenable". The lay-offs affect 60 research, sales and support staff, most of them based in New York.

The firm emphasised that its international equities business based in New York will not be affected.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Tue Apr 23 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Mon Apr 22 Index No.	Fri Apr 19 Index No.	Thu Apr 18 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (187)	854.08	......	11.23	5.67	10.92	11.55	854.08	862.53	868.17	834.37
2	Building Materials (24)	1078.47	-1.2	10.96	5.75	11.20	8.18	1091.10	1105.97	1117.17	1017.99
3	Contracting, Construction (31)	1369.89	-0.4	10.46	5.83	12.37	21.06	1375.52	1384.40	1383.75	1344.65
4	Electricals (10)	2364.94	......	11.12	5.66	11.45	40.46	2365.83	2406.41	2425.52	2362.75
5	Electronics (26)	1812.24	+0.7	8.62	4.92	15.45	3.31	1799.12	1822.94	1845.24	1756.73
6	Engineering-Aerospace (8)	455.19	+0.8	15.35	5.50	7.84	8.86	451.52	456.28	453.54	441.38
7	Engineering-General (47)	459.01	+0.1	12.33	5.72	9.77	7.96	458.57	461.57	464.72	455.55
8	Metals and Metal Forming (8)	478.04	-1.1	19.08	7.22	6.47	0.59	483.48	487.94	491.67	470.81
9	Motors (13)	349.82	+0.2	12.32	6.83	9.60	9.45	349.09	352.93	354.02	340.66
10	Other Industrial Materials (20)	1524.16	+0.6	9.41	5.33	12.55	28.99	1514.50	1524.45	1535.03	1534.48
21	CONSUMER GROUP (185)	1456.44	+0.3	8.34	3.67	14.76	11.93	1452.78	1468.74	1476.46	1177.01
22	Brewers and Distillers (22)	1777.72	+0.1	9.05	3.65	13.62	14.86	1775.35	1795.25	1802.45	1388.75
25	Food Manufacturing (20)	1195.28	......	9.43	4.08	13.08	15.95	1195.10	1206.73	1208.56	1030.70
26	Food Retailing (16)	2717.49	+0.2	8.10	2.88	16.15	14.42	2712.50	2767.24	2795.06	2204.50
27	Health and Household (21)	3228.90	-0.1	5.92	2.62	19.26	20.72	3231.92	3266.34	3282.28	2454.58
29	Hotels and Leisure (21)	1357.63	+0.9	10.09	5.10	11.69	16.64	1346.15	1355.87	1356.85	1295.78
30	Media (24)	1482.14	+0.1	9.44	4.64	13.30	17.84	1481.01	1504.40	1518.71	0.00
31	Packaging, Paper & Printing (16)	673.15	+0.5	8.22	[illegible]	15.22	11.00	670.02	679.01	679.41	552.87
34	Stores (34)	927.92	+1.1	9.00	3.90	14.40	2.37	917.76	921.31	928.88	711.18
35	Textiles (11)	524.35	-0.9	10.15	6.15	12.41	3.08	529.12	535.10	536.90	463.89
40	OTHER GROUPS (108)	1208.87	+0.5	9.95	[illegible]	12.30	9.64	1202.78	1218.99	1228.01	1088.06
41	Business Services (13)	1204.88	+1.1	11.15	4.95	10.98	8.36	1191.85	1208.48	1214.00	0.00
42	Chemicals (21)	1274.54	+0.2	9.15	5.61	12.53	23.86	1272.17	1291.02	1296.08	1166.02
43	Conglomerates (10)	1552.70	+1.3	10.80	6.62	11.07	12.84	1532.30	1550.71	1552.73	1532.22
44	Transport (14)	2176.61	+0.6	11.32	4.75	10.84	25.52	2163.05	2181.80	2200.82	2147.44
45	Electricity (14)	1180.43	+0.9	11.74	5.65	10.67	0.00	1169.72	1183.55	1190.74	0.00
46	Telephone Networks (4)	1432.52	+0.4	9.28	3.49	14.02	0.00	1426.94	1449.83	1462.44	1058.86
47	Water (10)	2420.85	-0.5	14.01	5.79	7.98	39.69	2433.73	2463.92	2528.76	1870.45
48	Miscellaneous (22)	1875.56	+0.1	6.43	4.97	19.76	21.39	1872.84	1897.79	1909.10	1720.74
49	INDUSTRIAL GROUP (480)	1233.44	+0.3	9.44	4.50	13.00	11.34	1229.97	1244.19	1251.91	1077.51
51	Oil & Gas (20)	2479.27	+1.2	10.16	5.37	12.83	40.03	2449.95	2457.67	2466.93	2213.99
59	500 SHARE INDEX (500)	1338.16	+0.4	9.54	4.62	12.98	13.58	1332.78	1346.70	1354.62	1172.14
61	FINANCIAL GROUP (97)	824.37	+0.6	-	5.72	-	17.25	819.06	828.49	838.11	761.06
62	Banks (9)	922.53	+0.5	8.04	5.95	17.97	21.93	918.18	925.71	940.19	788.13
65	Insurance (Life) (7)	1514.79	+1.6	-	5.46	-	41.64	1490.40	1529.76	1560.92	1283.56
66	Insurance (Composite) (6)	682.47	+0.8	-	6.43	-	20.23	676.83	688.62	692.36	643.91
67	Insurance (Brokers) (8)	1170.95	-0.2	6.82	5.74	19.09	20.10	1173.47	1186.31	1188.11	1045.17
68	Merchant Banks (7)	421.40	-1.4	-	4.81	-	4.47	427.25	427.90	429.26	431.30
69	Property (40)	1007.59	+0.9	6.38	4.67	21.56	4.21	998.60	1005.82	1014.01	1102.30
70	Other Financial (20)	292.08	+0.4	9.43	6.18	13.06	4.41	290.91	291.38	292.15	304.78
71	Investment Trusts (69)	1204.65	+0.2	-	3.41	-	10.94	1202.18	1212.33	1218.66	1148.31
99	ALL-SHARE INDEX (666)	1212.65	+0.4	-	4.74	-	14.09	1207.44	1220.16	1228.27	1073.33

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Apr 22	Apr 19	Apr 18	Apr 17	Apr 16	Year ago
FT-SE 100 SHARE INDEX‡	2503.8	+13.0	2509.3	2489.3	2490.8	2520.1	2538.4	2545.0	2519.5	2159.9

FIXED INTEREST

	PRICE INDICES	Tue Apr 23	Day's change %	Mon Apr 22	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (28)	120.67	+0.04	120.63	1.73	3.79
2	5-15 years (30)	130.42	+0.09	130.30	1.28	5.15
3	Over 15 years (8)	138.86	+0.19	138.60	1.97	4.05
4	Irredeemables (6)	155.05	+0.01	155.02	4.29	1.50
5	All stocks (72)	129.72	+0.08	129.61	1.54	4.62
	Index-Linked					
6	Up to 5 years (1)	158.08	....	158.07	-0.20	2.72
7	Over 5 years (10)	146.79	+0.01	146.78	0.58	1.52
8	All stocks (11)	147.66	+0.01	147.65	0.55	1.56
9	Debs & Loans (54)	110.24	+0.03	110.20	2.67	2.65

	AVERAGE GROSS REDEMPTION YIELDS		Tue Apr 23	Mon Apr 22	Year ago (approx.)
	British Government				
1	Low	5 years	9.21	9.21	11.96
2	Coupons	15 years	9.65	9.66	11.60
3	(0%-7¾%)	20 years	9.77	9.79	11.53
4	Medium	5 years	10.31	10.31	13.18
5	Coupons	15 years	10.09	10.11	12.09
6	(8%-10¾%)	20 years	10.03	10.05	11.82
7	High	5 years	10.44	10.45	13.29
8	Coupons	15 years	10.27	10.28	12.39
9	(11%-)	20 years	10.20	10.21	12.12
10	Irredeemables	†	10.03	10.03	11.54
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.77	3.77	4.82
12	Inflation rate 5%	Over 5 yrs.	4.12	4.11	4.23
13	Inflation rate 10%	Up to 5 yrs.	2.89	2.88	3.78
14	Inflation rate 10%	Over 5 yrs.	3.92	3.92	4.04
15	Debs &	5 years	11.86	11.86	16.23
16	Loans	15 years	11.64	11.64	14.24
17		25 years	11.43	11.43	13.56

‡Opening index 2489.3; 9 am 2496.6; 10 am 2504.5; 11 am 2505.4; Noon 2506.9; 1 pm 2506.5; 2 pm 2506.2; 2.30 pm 2507.9; 3 pm 2506.6; 4.10 pm 2506.1; (a) 2.46pm (b) 8.30am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE includes details of the information used in the construction of these indices. These are available by subscription from FINSTAT, 071-925 2323.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	34	3	47
Corporations, Dominion and Foreign Bonds	6	1	13
Industrials	295	282	964
Financial and Properties	142	103	497
Oils	26	9	57
Plantations	1	0	9
Mines	37	23	102
Others	69	49	39
Totals	610	470	1,728

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price	+or-	Net Div	Times Cov'd	Gross Yield	P/E Ratio
†	F.P.	-	61	58	Aberdeen Trust 10p	59	+1	2.5	1.8	5.6	13.3
†	F.P.	-	38	35	Do. A Warrants 10p	38		-	-	-	-
100	F.P.	-	109	104	Contra-Cyclical Inc 1p	108		-	-	-	-
90	F.P.	-	56	54½	Do. Zero Div. Prf. 50p	55½		-	-	-	-
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

a Annualised dividend. [illegible] Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M [illegible] and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". ‡ Introduction. § Placing price. †† Reintroduction. ¶ Unlisted securities market. ♦ Issued in connection [illegible] reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings — Apr. 22
- Last Dealings — May 3
- Last Declarations — July 25
- For settlement — Aug. 5

[illegible] rate indications [illegible] London [illegible]

Calls: [illegible] Technology, Cannon Street, Davy Corp., Doctus, Kwik-Fit, Oliver Res., Pittencrieff, Premier Cons., Rosehaugh. Puts: Chillington Corp., [illegible] PP, Thorntons.

LONDON TRADED OPTIONS

[illegible]

UK COMPANY NEWS

Worldwide defence cuts and project delays take their toll

Flat showing [illegible] FR dips to £21.3m

By Clare Pearson

FR GROUP, the aviation products group which makes 65 per cent of its sales in the defence sector, reported flat profits and earnings for 1990.

Pre-tax profits were £21.3m (£22.6m), on turnover of £169.2m (£153.8m). Earnings per share came to 20.07p (20.75p). The final dividend is unchanged at 4.4p maintaining the total at 6.37p for the year.

The results came against a worldwide background of cuts in defence procurement. They were also specifically affected by losses at WES, the containers and general engineering division. Without these, profits would have [illegible] slightly ahead, said Mr [illegible] Irwin, finance director.

He said FR had now "taken the knife" to WES, which had been integrated into Flight Refuelling, [illegible] dominant air-to-air refuelling [illegible] division.

Mr Irwin [illegible] this division put in a good performance [illegible] the [illegible] larger operations – notably FR Aviation, which provides training and maintenance to the military.

However, group performance had been, and continued to be, affected by delays in sizeable projects. Supplies of refuelling pods to the US airforce, [illegible] instance, [illegible] owing to [illegible] change in specification. There had been cost overruns on the Phoenix air vehicle project where GEC is the main contractor.

Mr Irwin [illegible] flict had produced a "number of small value items" for FR but nothing significant [illegible].

● COMMENT

[illegible] long-running [illegible] of delayed contracts continues to trouble FR along with other [illegible] in its sector. The current year is promising no relief from the complaint, especially ahead of the white paper in June, which is expected [illegible] clear [illegible] deep uncertainty about how big the British armed forces are going to be in the [illegible]. That means FR is set to complete its third year of broadly [illegible] profits, perhaps making no more than £20m pre-tax. This puts the [illegible] on a prospective p/e of [illegible] is some 5 per [illegible]. [illegible] shares are [illegible] down on levels achieved at the [illegible] of [illegible] still [illegible] fully-valued for the moment at 160p. It is reasonable to expect a recovery in [illegible] there is no near-term relief for long-suffering investors who have now been waiting for four years for FR to recover the momentum of its [illegible].

Doctus shares fall 8p on profit warning

By Jane Fuller

DOCTUS, [illegible] management, personnel and marketing consultancy, yesterday issued a profit warning and said it was reviewing the marketing element of its business – which was beefed up under two years [illegible] through [illegible] £40m [illegible] with Prospective Group.

Doctus's share price fell 8p to 89p, compared with [illegible] 12-month high of 138p last May.

The group also announced that the roles of [illegible] and chief [illegible] to [illegible] split. Mr Brian Blake would continue as chairman and Mr Alan Greenough, who joined the board last October, would [illegible] post. A [illegible]executive deputy chairman was also about to [illegible] appointed.

Mr Blake, [illegible] said the management [illegible] connected with the weaker performance, [illegible] the group's interim pre-tax profit to March 31 would be "quite a bit below" last year's £4.1m.

The [illegible] and downturn in the UK economy had led to "a [illegible] paralysis" [illegible] cancellation of some orders. Trading had suffered particularly in January and February.

[illegible] the full [illegible] brokers' [illegible] of £10m-£12m (£11.4m) would [illegible] be met, although trade had picked up since the first half. The group was about to announce disposals that would reduce year-end debt of [illegible].

Its review [illegible] strategy included considering whether or not to keep the marketing activities, which accounted for 60 per cent of operating profit last year. Prospective, formerly known [illegible] Pineapple because of its roots in the eponymous dance studio, was mostly marketing orientated.

Mr [illegible] to review this side of the business did [illegible] mean that Prospective – acquired for shares, but bringing in substantial debt – [illegible] buy. If parts were put up for sale, [illegible] would only go if the prices were right.

Marketing's performance [illegible] been flat last [illegible] with more than doubled profit growth at the management and human resources consultancies.

McKechnie slides to £10.5m as Australian recession hits sales

By Paul Cheeseright, Midlands Correspondent

TAXABLE PROFITS continued to slide at McKechnie, the West Midlands-based plastic components, specialist engineering and household products group.

For [illegible] half [illegible] January 31 [illegible] profit came to £10.5m, down from £12.7m, [illegible] itself was down some 27 per cent on the 1988-89 first half. Earnings per share for the latest period [illegible] (10.5p).

The interim dividend, however, is maintained at 5p. That reflected a degree of optimism about [illegible] prospects for the second half.

Indeed, Mr Jim Butler, chairman, said not only that UK companies, even those in the sluggish automotive sector, were reporting "[illegible] trading conditions" but also "it is tempting to believe that the worst of the recession is over." [illegible] the [illegible] time group companies in [illegible] US had growing order books. However, that was offset by continuing problems in Australasia.

[illegible] in [illegible] led [illegible] lower demand and put pressure on margins during the first half. [illegible] took [illegible] out of operating profits; those factors were the most significant in the decline [illegible] group profits.

UK and US operations, helped by cost cutting and product improvement, managed to hold their earnings levels of 1989-90.

Return on [illegible] and on [illegible] fell largely [illegible] of [illegible] acquisition of Engineered Custom [illegible] in [illegible] US. That company had not been operating profitably but should be by the end of the year.

Turnover dropped to [illegible] (£178.6m), partly because of the Australian experience. Just as important, however, was the re-positioning of [illegible] group, [illegible] greater concentration on plastics and specialist engineering, brought about by the sale of its UK metals operations, which had provided a quarter of operating profits. The impact of the [illegible] will be spread [illegible] the whole year.

During the second half turnover and profits again would be affected but interest [illegible] lower. The [illegible] of the [illegible] companies – [illegible] Products, [illegible]ter Parsons and Stelco – would realise £53m [illegible] which was initially being used [illegible] strengthen the [illegible]. Gearing would be reduced to less than 10 per cent [illegible] the end of the financial year.

Interest boost helps Farnell to £33.8m

By Andrew Bolger

STRONG GROWTH in interest income helped Farnell Electronics, the manufacturer and distributor of [illegible] and electronic equipment, increase pre-tax profits by 10 per cent from £30.64m to £33.78m in the year to February 3.

Farnell, which had [illegible] balances of [illegible] at the year-end, [illegible] from high rates available in the money markets and [illegible] from £1.45m to £3.8m.

Turnover fell from £169.7m to £163.8m, mainly because of the disposal of AC Farnell, a wholesale distributor [illegible] brown goods, sold in March last year.

Farnell's main division, electronic com[illegible] distribution, increased operating profits from £21.3m to [illegible] on turnover [illegible] from [illegible] to £104m.

Electronic equipment manufacturing saw operating profits fall from £[illegible]87m to £7.12m on turnover of £60.3m, down from £65.46m.

[illegible] share increased by [illegible] per [illegible] to 16.3p (14.5p).

The directors [illegible] recommending a final dividend of 3p, bringing the total for the year [illegible] 5.5p, [illegible] cent.

Mr Henry [illegible] director, [illegible] group's [illegible]man subsidiary made a loss of £2m, but its development was continuing and he was looking for a good return in the current year.

Mr [illegible] group had [illegible] hit by [illegible] in the UK, but [illegible] confident that it would be able to maintain its 25-year record of growth in earnings per share.

Farnell's Australian subsidiary made a small net profit [illegible] the year, which Mr [illegible] was a commendable performance in view [illegible] the difficulties of the [illegible].

● COMMENT

These are good results in view of the depth of the recession in the UK economy, [illegible] still [illegible] for [illegible] majority [illegible] the Leeds-based group's [illegible]. Farnell [illegible] well to increase profit margins slightly in its already extremely lucrative distribution business, but holding the erosion in manufacturing mar[illegible] per cent, compared [illegible] 13.6 per cent in [illegible] previous year, is just [illegible] impressive.

The [illegible] concern in the market is that Farnell will use [illegible] cash pile [illegible] too much for the distribution activities of STC, the [illegible] bought [illegible] year by [illegible] Telecom of [illegible]ada. However, paying over the odds would not be in character [illegible] northern [illegible]ment team.

Forecast [illegible] profits [illegible] put [illegible] shares, up 4p yesterday to 206p, on a prospective multiple of [illegible] over 12, in line with its sector. That seems undemanding, particularly if the German investment comes good, but the shares are unlikely [illegible] advance until the [illegible] acquisition intentions become clearer.

Coats extends offer after only 0.69% acceptance

By [illegible]

COATS VIYELLA, [illegible] group which is in the throes of [illegible] £194m hostile bid for Tootal, announced yesterday that [illegible] was extending [illegible] after receiving acceptances representing 0.69 per cent of its target's ordinary shares.

Coats, which already owns [illegible] ordinary shares, or 29.41 per cent of Tootal's equity, [illegible] received acceptances for a further [illegible] shares. It also has acceptances for 3.67m (62.35 per cent) of the preference shares.

This means the level of acceptances [illegible] by [illegible] from Tootal shareholders [illegible] slightly [illegible] the [illegible]ous closing date. Tootal yesterday issued [illegible] statement claiming this meant its arguments were "winning the day".

The £194m bid has [illegible]tively been put on ice [illegible] May 10 while the Office of Fair Trading considers whether to refer it to the Monopolies and Mergers Commission. Tootal [illegible] information, such [illegible] forecast, [illegible] could mount [illegible] second offer.

Tootal's shares were unchanged at 76p yesterday, still higher than Coats' offer of 65p cash. [illegible] shares [illegible] 2p to 137p.

Scale back urged if Scottish electricity sale oversubscribed

By James Buxton, [illegible] Correspondent

THE GOVERNMENT is being urged not to offer shares in the two [illegible] electricity [illegible] to [illegible] so [illegible] disappoint [illegible] is heavily oversubscribed.

Torrie & Co, the Edinburgh stockbroker [illegible] large numbers [illegible] individual applications for privatisation shares, [illegible] believed the [illegible] will [illegible] popular [illegible] embarrassing [illegible] Scot[illegible] Conservative party and [illegible] calling [illegible] lobby MPs to block a foreign sale.

"It will be politically [illegible] sweet-talk the canny [illegible] applying [illegible] numbers [illegible] only to be offered nominal allocations," the broker said, especially if [illegible] perceived that Japanese, American and European institutions [illegible] "guaranteed profits."

About 20 per [illegible] of [illegible] privatisation issues, including [illegible] regional electricity [illegible] and [illegible] generators, have been [illegible] foreign institutions.

The government has appointed advisers to prepare the way for offering shares in [illegible] Power and [illegible] Hydro-[illegible] institutions in Europe, Japan, the US and Canada, but no decision has been [illegible] on whether [illegible] sell [illegible] shares overseas.

Torrie [illegible] among Scottish electricity [illegible] was running high. The [illegible] expected to raise between £1.5bn and £2bn.

McCarthy & Stone losses rise to £6.4m

By Clare Pearson

McCARTHY & STONE, [illegible] UK's biggest builder of retirement ho[illegible], deepened losses of £6.4m (£5.7m) on turnover down from £38.3m to £33.1m for the six months to end-February.

Basic losses per share were 14.4p (9.6p). The interim dividend, however, is maintained at 0.5p.

Mr John McCarthy, chairman, said he remained cautious about the level of sales for the rest of the year.

Volumes were virtually unchanged during the first half with 404 units sold compared with 408.

Reductions in working capital meant [illegible] borrowings, excluding a convertible loan stock of which £14.8m is outstanding, fell [illegible] £90.4m [illegible] £87.4m, cutting gearing to 96 per cent. Inclusive of the convertible, gearing was 112 per cent.

The half-year period [illegible] affected by a drop in the contribution from land sales and other operating income, including sale of fixed assets and commissions earned by Peverel, the management company.

The company said land sales resulted in [illegible] profit of £200,000, down from £500,000, while other operating income accounted for £1.1m, against £2.6m.

In anticipation of an upturn next year, the company has [illegible]tion on a number of sites.

Stocks at February 28 comprised [illegible] land bank of 2,189 units plus 253 units at various stages of construction and 1,413 available for sale.

Interest took [illegible] (£9.1m). The tax credit arising on losses is not yet being [illegible] for.

● COMMENT

There was some encouraging news in these results in that, after [illegible] very sharp fall last year, volumes appear now to be trundling along the bottom. That still leaves all those long-term investors who bought into McCarthy & Stone a few [illegible] sheltered housing [illegible] all the [illegible] elderly would-be customers of the company who found they could not sell their existing homes.

Still, the company is a reasonable play on [illegible] expected [illegible] in [illegible] niche. However, it should be remembered that as a longer-term strategy McCarthy has turned its back on nursing homes – thought by many to be coming thing as the elderly survive for ever more years – having complained it could not make decent returns.

[illegible] losing [illegible], it should produce [illegible] deficit of about £8m this time [illegible] the pre-tax line [illegible] into [illegible] black in 1992. The [illegible] presented a buying opportunity at a low of 32p last December, but that evaporated with a subsequent [illegible] recovery. Yesterday they stood at just above 90p.

NEWS DIGEST

British Fittings up at £6.2m

BRITISH FITTINGS Group, the [illegible]line equipment [illegible] and [illegible] of water [illegible] turned in pre-tax profit [illegible] 1990 ahead [illegible] at [illegible] on turnover 22 [illegible] £88.72m.

The greatest [illegible] came from the pipeline [illegible]bution division, where the full impact of the recession was not felt until December and an operating profit [illegible] (£6.[illegible]) was achieved.

[illegible] products [illegible] experienced particular prob[illegible] owing [illegible] inability [illegible] funds, but nonetheless turned in an increased operating profit [illegible] (£1.36m).

A final dividend of 5.975p is recommended, making 7.85p [illegible]. Earnings [illegible] (19.45p) fully diluted.

Allied London in the red after provision

An exceptional provision of £8m, [illegible] reflect [illegible] depressed [illegible] of the [illegible] market, left Allied London Properties, [illegible] housebuilder and property investor, [illegible] in [illegible] red [illegible] the [illegible]. Comparable [illegible]tax profits [illegible].

The commercial property investment portfolio produced [illegible] "creditable [illegible]" according [illegible] Sir Geoffrey Leigh, [illegible], with rental [illegible] 19 [illegible] cent [illegible] (£6.1m) mainly [illegible] to [illegible] at "satisfactory levels".

Losses per share amounted to 9.43p (earnings 2.5p) but the interim dividend is held at 1.075p.

Near £1m turnround puts UPL in black

UPL Group, an importer and [illegible] of speciality [illegible], returned to profit under its new chairman Mr Arne Berg[illegible] and his management [illegible].

For the year to January 31 1991 the group made a profit of [illegible] from turnover [illegible] [illegible].09m, compared with a loss of £931,000 on sales of £14.02m. Earnings per share were 0.34p (losses 19.75p).

Merlin Intl probe completed

The Isle of Man Fraud Squad announced yesterday that it had completed its investigation into Merlin International Properties and had found no evidence of any irregularity that would justify further inquiries, writes Sue Stuart from Douglas.

The investigation, which began a week ago, centred on a set of 19 questions concerning the running of the company.

The questions were posed to the island's Financial Supervision Commission by one of the company's minor shareholders following the February announcement of a £26m loss.

Conrad Continental losses rise to £0.68m

Conrad Continental, which runs leather clothing, fashion accessories and the Bobby Charlton football coaching operations, increased losses from [illegible] in 1990.

Turnover fell [illegible] £12.06m (£13.12m) [illegible] operating profit was only £9,000 [illegible]. [illegible] situation [illegible] by higher [illegible] charges [illegible] but [illegible] to [illegible] reduction in exceptional charges [illegible].

Losses [illegible] (1.2p). There [illegible] dividend (interim 1p).

Capital spending hits VTR profit

Higher interest charges made inroads into [illegible] profits [illegible] VTR, the USM-quoted video editing and audio-visual house, resulting in a pre-tax figure of £432,000, against £601,000.

Mr Philip Lovegrove, chairman, explained that the rise in charges [illegible] of [illegible] capital investment pro[illegible].

[illegible] further large capital expenditure was planned [illegible] the [illegible] of [illegible].

Mr Lovegrove said both Video Tape Recording and AV Department increased their [illegible] trading [illegible].

Turnover rose [illegible] £3.18m (£2.71m). Earnings [illegible] share came [illegible] 3.7p [illegible]. The interim [illegible] 1.2p (1.1p).

Cosalt shows sharp decline to £1m

In [illegible] ended March [illegible] 1991, "a [illegible] difficult period", Cosalt returned pre-tax profits down £617,000 at £1.01m.

Outlining the reasons, Mr [illegible] Brian, chairman, said [illegible] fishing industry remained depressed. [illegible] had [illegible] reduce working hours to allow overproduction to be absorbed by the market, and the workwear side, which manufactures for the rental trade, received fewer orders as a consequence of the recession.

The interim dividend is held at 4.25p, payable from earnings [illegible] share [illegible].

Growth continues with 39% rise at QS

Growth continued at QS Holdings, the Sussex-based clothing retailer, in the [illegible] half of the year resulting in an overall 39 per cent increase in pre-tax profits.

On turnover [illegible] £42.34m (£35.67m) profits for [illegible] 12 months to January 25 [illegible] £7.15m (£5.14m). There were non-recurring [illegible] above the line of £55,000 [illegible].

Earnings per share were 11.65p (9.11p) and a final dividend of 3p is proposed making 4.31p [illegible]. [illegible] company came [illegible] the [illegible] in March last year.

Ptarmigan dives into the red

Ptarmigan Holdings, a maker of sausage casings and cake decoration products, reported a pre-tax loss of £6,000 for the half year to December 31 1990, against a £263,000 profit last [illegible].

Operating profits dropped [illegible] £305,000 to £167,000, but these were wiped [illegible] by increased interest charges of £173,000 (£42,000). There was no tax (£84,000 charge) and losses per [illegible] came [illegible] earnings).

Extraordinary charges, [illegible] hatchery operation, [illegible] (£77,000).

UK COMPANY NEWS

Sharp fall likely in current first half as property recession continues

Tarmac sinks 49% to £190.7m

By Andrew Taylor, Construction Correspondent

THE DEEP recession in UK and US housing and commercial property markets caused pre-tax profits at Tarmac to fall by [illegible] per cent, from £377m to £190.7m, [illegible] year.

Sir Eric Pountain, chairman [illegible] biggest construction and building materials group, warned that profits would also fall sharply in the first half of this year.

Sir Eric said January and February had been particularly bad months for UK housebuilding and construction material sales. These had been further depressed for part of that time by severe winter weather.

He said it would be difficult, although not impossible, to [illegible] the first half [illegible] during the final six months of the year: "Much will depend upon the timing and the pace of recovery in the UK housing market. There has [illegible] a slight improvement in [illegible] since interest rates started to fall in February," said Sir Eric.

The share price fell by 16p to 229p following the warning.

Sir Eric said Tarmac's [illegible] last year had been the toughest for more [illegible] a decade, reflecting [illegible] severity of the economic downturn in [illegible] UK [illegible] US. Group operating margins fell from 12.7 per cent to 7.2 per cent as sales [illegible] prices came under [illegible] in [illegible] divisions.

Trevor Humphries

Sir Eric Pountain: toughest markets for over a decade

Only [illegible] division [illegible] operating profits – [illegible] per cent to £40m helped by an increase in UK road contracts.

In contrast, housing profits collapsed 63 [illegible] £183.5m to £67.3m. The group [illegible] land bought in 1987 and 1988 for a sharp fall in margins. The number of houses sold slipped from just over 12,000 in 1989 to 11,209 last year. [illegible] price [illegible] a Tarmac home had remained static at about £75,000.

Sir Eric said this masked a price reduction in real terms as the group had built fewer one bedroom homes.

Profits from UK quarries fell by 20 per cent to £80m. Tarmac said volume sales of [illegible] and ready-mix co[illegible] had been [illegible] the expense of margins as prices had fallen. Black top sales, however, had increased reflecting the rise in road construction.

Profits from sales of other building materials fell by 42 per cent to £17m. Sales of brick and aerated [illegible] were hit particularly hard by the [illegible] in UK housebuilding. Industrial product profits fell by 15 per cent to £38m while commercial property profits declined by 40 per cent to £12.7m.

[illegible] was no [illegible] in the US where profits halved from £43.7m to £20.8m. Before currency translations profits were down by 43 per cent to $40.1m. As in the UK, volume sales and prices [illegible] in many of Tarmac's US markets.

[illegible] per share fell from 32.3p to 16.7p leaving total dividends unchanged at 11.25p, covered 1.5 times. The final distribution is held at 8.25p.

See [illegible]

UK market conditions push Ward down 31%

By Roland Rudd

THE WARD Group, the [illegible] and building components combine, blamed [illegible] UK market conditions in [illegible] 45 year history for a 31 per cent drop in pre-tax profits.

For 1990 the profit came to £8.7m (£12.6m). The final dividend is 4.8p, for an unchanged 7.2p, payable from earnings of 25.2p (36.4p).

Mr Nigel Forsyth, chief executive, said the "bitterly disappointing" results would have been worse without the help of the European business, which remained relatively buoyant. Non-UK turnover increased slightly to £67m (£63m) while overall sales were down to £172.8m (£175.8m).

The group was planning [illegible] expand further on the Continent, into eastern Europe and the Soviet Union, increasing those sales from 39 per cent of turnover to more than 45 per cent. It already has manufacturing plants in Belgium, France, Italy and Germany.

However, [illegible] Forsyth warned that difficult [illegible] would [illegible] throughout the year. He could not see any improvement in overall profits until 1992.

The slump in profits led [illegible] the company reducing its employees from 2,360 to 1,852.

Gearing fell from 39 per cent to 26 per cent as borrowings were reduced from £10.3m to [illegible] payable [illegible] five times by operating profit of £10.76m (£12.9m).

The group continued its investment programme, spending £7m on developing new machinery and [illegible]pment. [illegible] brought [illegible] invested over the past four years to £30m, and a further £8m is [illegible] for 1991.

Budgens board examines cost of restructuring proposals

By John Thornhill

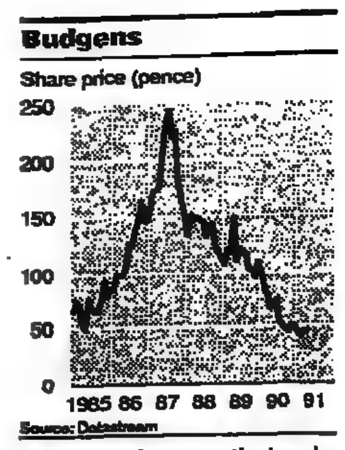
BUDGENS, the troubled chain of neighbourhood grocery stores, is asking Charterhouse [illegible] financial advisers in addition to Kleinwort Ben[illegible] receiving restructuring proposals from a group of institutional shareholders.

[illegible] proposals called for [illegible] removal of Mr John Fletcher as chairman and [illegible] appointment [illegible] directors.

Mr Martin Sorrell, chief executive [illegible] the WPP marketing services group, will now play a pivotal role in determining the Mr Fletcher's future.

[illegible] only non-executive [illegible] on the Budgens board, Mr Sorrell will have to consider the merits of the proposals put to the company by IEP Securities, Electra Investment Trust, [illegible] Investment Management which between them account for 27 per cent of its equity.

The proposals also envisaged bolstering the board through the appointment of three external [illegible] John von Spreckelsen and Mr Christian [illegible] previously worked [illegible] Bowater Freight Services, and Mr Graham [illegible], an [illegible].



Budgens is currently inquiring into the experience of the three executives and considering what expertise they could bring to the company.

The board is also exploring its options concerning the future funding of the company and how it can reduce its borrowings of £30m.

One factor that will weigh heavily with [illegible] Budgens board is the cost of replacing Mr Fletcher.

He has only recently signed a five-year contract and [illegible] year amounted [illegible] £145,000. Coupled with pension payments it is conceivable that Mr Fletcher could receive more in a compensation package for [illegible] of office than the shareholders will gain this year in dividends.

But the three executives [illegible] may join the board will [illegible] come cheap as they are asking for a collective salary package [illegible] about £300000 plus a number of share options.

The prime mover behind the proposals is IEP Securities, the investment vehicle founded by Sir Ron Brierley, which bought into Budgens at the time of the company's merger discussions with William Low, the Scottish grocery chain, in 1989.

IEP later bought further shares to average down the cost of its shareholding but it is still sitting on a [illegible] loss.

The average price it paid for its shares is estimated at 85p compared with Budgens' closing share price of 46p yesterday.

The Budgens board will have to be careful not to be seen to [illegible] group of investors – however powerful they may be – [illegible] the other 23,000 shareholders.

Conder sale set to raise £23m

The Conder Group is to raise a maximum [illegible] £23m from the sale of 61 per cent of Conder Products, which supplies [illegible]rol forecourt canopies.

[illegible] Group will receive an initial £15m plus a performance related £8m.

CIN Venture Managers will hold 56 per cent [illegible] the managers will hold the other [illegible] per cent.

NatWest gloomy on first half

By David Lascelles, Banking Editor

LORD ALEXANDER, chairman of the [illegible] Westminster Bank, [illegible] yesterday that there would be no immediate improvement in the bank's performance because of the recession and continued [illegible] of bad debts.

However, [illegible] had taken several initiatives to cut [illegible] should begin [illegible] flow through in the second half of the year. This would be followed by significant improvements in 1992 and 1993.

Lord Alexander [illegible] annual meeting that [illegible] was taking several in[illegible] to deal with problems [illegible] depressed last year's result, particularly [illegible] loss-making arms, County NatWest, the investment bank, and Nat[illegible] Bancorp, [illegible] US arm.

The equities business of County had met "all significant [illegible]" which were set for the first quarter of this year, and was well ahead of its plan to achieve satisfactory profitability. In February, Lord Alexander gave the business [illegible] years to [illegible] back [illegible] black or risk closure.

NatWest also announced the appointment to the main board of Mr [illegible] Wanless, chief executive of UK financial services.

Edinburgh Inv net assets edge up

By Philip Coggan, Personal Finance Editor

EDINBURGH Investment Trust – the second largest in the UK – [illegible] final dividend by 10 per cent to 4.95p despite a rise of only 0.8 per cent in net asset value per share in the year to March 31.

The trust had net assets of £771.2m at its year end, equivalent to 262.5p per share, against 260.5p per share previously.

The increase in net assets lagged behind the FT-A All-Share Index – which rose by 7 per cent over the same period – becau[illegible] weighting of the trust.

At March 31, 33 per cent of the portfolio was invested outside the UK, split between continental Europe (11.5 per cent), Japan [illegible] per cent), United States (8.3 per cent) and Far East (4.4 per cent).

Edinburgh has debenture debt of £105m, most of [illegible] invested in the markets.

The total dividend for [illegible] year is 7.7p (7p) based on earnings per share of 8.5p (7.84p).

Although net [illegible] value underperformed against the index, a narrowing in the discount to net asset value of the [illegible] price – from 19.4 per cent to 14.4 per cent – helped the shares to perform almost in line with the All-Share Index over the [illegible].

Brent Walker finalising its 1990 accounts

By Maggie Urry

BRENT WALKER, the heavily-borrowed leisure group, is this week finalising its accounts for 1990, a period which saw the group's stop-gap refinancing of its £1.4bn of debt.

The preliminary results are expected in the first half of May with the full accounts published later in the month.

Brent Walker is still working with its bankers on a restructuring of its liabilities on a long-term basis, better to match its assets and trading prospects.

It is likely that the accounts will be qualified as have those of other companies involved in financial restructurings. Generally, auditors have said [illegible] the accounts are prepared on the assumption that the restructuring is successful.

Weatherall Green & Smith, the group's property valuer, is understood to [illegible]leted a revaluation of the property [illegible], which will have taken account of the fall in the [illegible] market [illegible] the last valuation at the end of 1988.

Directors may argue with the group's audit committee over how much of the revaluation they incorporate in the [illegible]. Bankers, however, will look at the actual valuation when assessing [illegible] group's ability to carry debt, and will [illegible] look at the sale value of whole businesses rather than the value put on individual properties.

The group's bankers are also due to see a draft report on the company by Touche Ross, the [illegible]. However, this report is [illegible] be revised as the company has reworked its cashflow forecasts. It will eventually form [illegible] basis of the restructuring.

The task facing Brent Walker and its banks is to raise cash and to prune the [illegible] to produce a company capable of servicing its debt. [illegible] this end it has been discussing [illegible] of various assets with interested buyers for some months.

Allied-Lyons, the brewing, wines and spirits, and food group, confirmed yesterday that it was in talks with Brent Walker over its brewing and pub interests. It add[illegible] that an internal memo which had been leaked to the press "represented an analysis of commercial considerations to be addressed and does not represent any form of definitive agreement".

Allied said that it would be two or three weeks before the two sides could establish whether there might be a deal.

Brewing analysts pointed out that following the government's proposals for a shake up in the industry, the sector was in a state [illegible] flux. One said "everyone is talking [illegible] else [illegible]thing".

One suggestion was that Allied could agree to supply Brent Walker's 1,122 pubs, putting extra volume through its own six breweries, which could be very profitable. This might lead [illegible] closure of Brent Walker's brewery.

Brent Walker's brewing and pub interests largely relate to its acquisition of J W Cameron and Tollemache & Cobbold for £324m in December [illegible] the [illegible] brothers. This purchase included two breweries and 855 pubs.

The Tollemache brewery in Ipswich was closed in 1989 and production centralised at Cameron's Lion Brewery in Hartlepool. Brent Walker already buys in a sizeable proportion of its beer requirements.

Bridgend considers offer in Cowan de Groot battle

A BATTLE for control of Cowan de Groot is in the offing after Bridgend Group, the distribution, leisure and property concern, announced it was considering making a cash offer for the toys, electrical components, [illegible] household goods [illegible].

[illegible] had [illegible] purchased 1.15m shares in Cowan, [illegible] its [illegible] to 9.98 [illegible] cent.

The move comes as a response [illegible] last [illegible] share-exchange offer from Wilton Group, chaired by Mr Michael Buckley, who [illegible] heads Cowan.

Bridgend [illegible] earlier unveiled a 74 per cent expansion in taxable profits for 1990. The outcome – £1.06m against £608,000 – included a nine-month contribution from the Woodington leisure and property group purchased in March. [illegible] charges took [illegible] £819,000 [illegible].

Turnover totalled £7.85m (£3.87m on continuing operations). Earnings per share on the sharply increased capital emerged [illegible] (3.1p). A recommended final dividend of 0.8p brings the total for the year to 1.2p (1p).

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Allied London	int	1.075	July 1	1.075	-	3.53
Bridgend	fin	0.8	June 7	0.65	1.2	1
British Fittings	fin	5.975	June 11	5.775	7.3[illegible]	7.025
Cannon St Invs	fin	5.5	June 5	5.5	8.8	8.8
Conrad Cont'l	fin	nil	-	nil	nil	1
Cosalt	int	4.25†	Aug 30	4.25	-	10.75
Edinburgh Inv	fin	4.95	July 4	4.5	7.7	7
Farnell Elect	fin	3	July 5	2.7	5.5	[illegible]
FR Group	fin	4.14	July 5	4.14	6.37	6.37
Holmes Protect'n	fin	nil	-	nil	nil	1.2★
McCarthy & Stone	int	0.5	July 19	0.5	-	1
McKechnie	int	5‡	July 12	5	-	14.75
QS	fin	3	Jul 2	-	4.31	-
St Ives	int	1.5	June 5	1.5	-	5
Tarmac	fin	8.25‡	July 8	8.25	11.25	11.25
Tyne Tees TV	fin	13	July 1	13	19	19
VTR	int	1.2	May 31	1.1	-	3.3
Ward Group	fin	4.8	June 1	[illegible]	7.2	7.2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip [illegible] rights and/or acquisition [illegible] §USM stock. [illegible] scrip option. ★US cents.

Decline in financial printing hits St Ives

By Richard Gourlay

CITY FINANCIERS are not alone in mourning the dearth [illegible] Ives, the UK's largest independent printer, reported a 26 per cent fall in pre-tax profits from £13.59m to [illegible] in [illegible] months to January 31, [illegible] entirely due to the fall in financial printing.

Colin Beere

Bob Gavron and Brian Edwards, managing director: worst trading for 30 years

Mr Robert Gavron, chairman, said the company had experienced the [illegible] conditions in 30 years. Turnover on financial printing had halved and healthy profits [illegible] that division had turned [illegible] a small loss.

Group [illegible] 8 per cent [illegible] (£117.1m). Earnings per [illegible] fell from 8.8p to 6.5p fully diluted but the interim dividend is maintained at 1.5p.

The group had no [illegible] debt [illegible] the [illegible] stage, but gearing was [illegible] to rise to 15 per cent by the year end as a [illegible] of completing a £127m capital programme on new technology and consolidating printing [illegible] fewer plants.

During the period, St Ives picked up the printing of 50 new titles. About 40 titles had been [illegible] but as [illegible] had closed rather than gone to competitors market share had increased.

Mr Gavron said that despite a pick up in financial printing as result of the recent spate of rights issues, magazine advertising was still sluggish and that division had further to fall before business improved.

● COMMENT

Given the industry is printing 10-20 per cent fewer pages compared [illegible] six months [illegible], a 26 per cent fall in pre-tax profits is neither surprising nor a particularly poor showing. But things are likely to get worse before they get better in the main consumer magazines, offset only partly by an upturn in financial printing. While new printing technology and cost cutting will put St Ives in good shape for the next up-cycle, looming opportunities in Europe may not be wholly welcomed in the City. St Ives seems an obvious partner for VNU, the Dutch publisher that says it wants to spin off its printing arm, or Bertelsman of Germany if it goes the same way. The possibility that such a partnership might require a call on shareholders for cash is likely to overhang the [illegible] price. This year pre-tax profits of £21.5m are expected, giving 14p per share. It looks fairly fully priced with a multiple of nearly 17 times earnings.

NOTICE OF REDEMPTION

To the Holders of

Credito Italiano

(London Branch)

9⅞ per cent. Depositary Receipts Due 1992

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Paying Agency Agreement dated 28th May, 1985 and the Conditions of the above-described Issue, Morgan Guaranty Trust Company of New York, as Principal Paying Agent, has selected ECU35,000,000 principal amount of the above-described Depositary Receipts ("Deposits") for redemption on 28th May, 1991 through the operation of the Mandatory Repayment [redacted] the redemption price of [redacted] of the principal amount thereof, together with accrued interest to said date, [redacted] follows:

Outstanding Deposits of ECU1,000 Each Bearing the Serial Numbers Found within the Ranges Listed Below, Including the First and Last Serial Numbers in such Range (eg. 11-20 Represents Serial Numbers 11, 12, 13, 14, 15, 16, 17, 18, 19 and 20):

11—20	91—100	111—120	121—130	141—[redacted]	161—[redacted]	171—[redacted]	181—[redacted]	191—[redacted]	211—220	231—240	251—[redacted]	281—290	291—300	331—340	341—350	351—360
381—390	421—430	431—440	441—450	491—[redacted]	511—520	541—550	601—[redacted]	611—620	621—[redacted]	631—640	641—650	661—670	671—680	681—690	711—[redacted]	721—730
751—760	801—810	851—860	861—870	871—[redacted]	901—[redacted]	911—920	951—[redacted]	961—970	981—990	1001—1010	1031—[redacted]	1051—1060	1071—1080	1081—1090	1091—[redacted]	1131—1140
1141—1150	1171—1180	1191—1200	1201—1210	1221—1230	[redacted] 1240	1241—1250	1251—[redacted]	1311—1320	1331—[redacted]	1361—1370	1371—1380	1381—1390	1391—1400	1401—1410	1421—1430	1431—1440
1461—1470	1471—1480	1481—1490	1491—1500	1511—1520	1521—[redacted]	1541—[redacted]	1561—1570	1571—1580	1641—1650	1651—[redacted]	1671—[redacted]	1691—1700	1721—1730	1731—[redacted]	1751—[redacted]	1761—1770
1771—1780	1781—1790	1821—1830	1861—1870	1871—1880	1891—1900	1901—[redacted]	1911—1920	1941—1950	1961—1970	1971—[redacted]	1991—2000	2001—2010	2021—2030	2031—2040	2041—2050	2051—2060
2061—2070	2121—2130	2131—2140	2151—2160	2171—2180	2181—2190	2201—[redacted]	2221—[redacted]	2241—[redacted]	[redacted] 2270	2271—[redacted]	2301—2310	2311—2320	2321—2330	2331—2340	2381—2390	2391—2400
2431—2440	2451—2460	[redacted] 2470	2481—2490	2571—2580	2621—2630	2631—[redacted]	2641—[redacted]	[redacted]	[redacted] 2690	2701—2710	2711—2720	2721—2730	2741—2750	2781—[redacted]	2801—2810	2821—2830
2841—2850	2871—2880	2911—2920	2931—2940	[redacted]	2981—2990	3001—[redacted]	3011—3020	3021—[redacted]	3031—[redacted]	3041—3050	3061—[redacted]	3071—3080	3081—3090	3101—3110	3121—[redacted]	3211—3220
3221—3230	3241—3250	3251—3260	3271—3280	[redacted]	3301—[redacted]	3311—3320	3321—3330	3331—[redacted]	3351—[redacted]	3361—[redacted]	3371—[redacted]	3441—3450	3451—3460	3471—[redacted]	3491—3500	3501—3510
3511—3520	3571—3580	3591—3600	[redacted]	[redacted]	3641—[redacted]	3651—[redacted]	3661—3670	3671—3680	3681—[redacted]	3691—3700	3771—[redacted]	3791—3800	3801—3810	3831—3840	3841—3850	3881—3890
3901—3910	3911—3920	3941—3950	3961—3970	3971—[redacted]	3981—3990	4021—4030	4051—4060	4061—[redacted]	4111—4120	4131—[redacted]	4151—[redacted]	4161—4170	4191—4200	4201—4210	4231—4240	4241—4250
4251—4260	4261—4270	4271—4280	4281—4290	4291—[redacted]	4321—4330	4331—[redacted]	4351—4360	4381—4390	4401—4410	4421—[redacted]	4441—4450	4461—4470	4481—4490	4491—4500	4501—4510	4511—4520
4541—4550	4561—4570	4571—4580	4611—4620	4621—[redacted]	4631—4640	4641—[redacted]	4651—[redacted]	4691—[redacted]	4741—[redacted]	4751—[redacted]	4801—[redacted]	4811—4820	4841—4850	4851—[redacted]	4911—4920	4961—4970
5011—5020	5021—5030	5051—5060	5071—[redacted]	5081—5090	[redacted]	5101—[redacted]	5111—[redacted]	5121—5130	5131—5140	5141—[redacted]	5161—5170	5191—5200	5211—5220	5221—[redacted]	5251—5260	5261—5270
5291—5300	5331—5340	5341—[redacted]	5351—5360	5361—[redacted]	[redacted] 5400	5411—[redacted]	5431—5440	5441—5450	5481—5490	5501—[redacted]	5541—[redacted]	5551—5560	5581—5590	5591—[redacted]	5611—5620	5641—5650
5651—5660	5671—5680	5681—[redacted]	5691—5700	5701—5710	5761—5770	5791—5800	5801—[redacted]	5811—[redacted]	5831—5840	5841—5850	[redacted] 5890	5901—5910	5911—5920	5921—[redacted]	5931—[redacted]	5941—5950
5961—5970	5971—5980	5981—5990	5991—6000	[redacted]	[redacted] 6040	6041—6050	6051—[redacted]	6061—[redacted]	6091—[redacted]	6111—6120	6121—[redacted]	6141—6150	6161—6170	6181—[redacted]	6211—6220	6231—6240
6251—6260	6261—6270	6291—6300	6311—6320	[redacted]	6351—6360	[redacted] 6370	6411—[redacted]	6421—[redacted]	6451—6460	6481—6490	6511—[redacted]	6531—6540	6551—[redacted]	6561—[redacted]	6571—[redacted]	6581—6590
6591—6600	6601—6610	6631—6640	[redacted]	6661—6670	6671—6680	6691—6700	6741—[redacted]	6761—[redacted]	6811—6820	6861—6870	6871—6880	6941—6950	6961—[redacted]	6971—[redacted]	7001—[redacted]	7011—7020
7021—7030	7051—7060	7081—7090	7111—[redacted]	7121—[redacted]	7141—7150	7161—7170	7181—[redacted]	7201—7210	7211—[redacted]	7221—7230	7231—7240	7241—7250	7271—[redacted]	7291—[redacted]	7321—[redacted]	7331—7340
7341—7350	7381—7390	7411—[redacted]	7441—[redacted]	7471—[redacted]	7481—7490	7491—[redacted]	7511—[redacted]	7521—[redacted]	7531—[redacted]	7541—[redacted]	7571—7580	7581—7590	7611—[redacted]	7621—7630	7631—[redacted]	7641—7650
7651—7660	7661—7670	7671—[redacted]	7701—[redacted]	7731—[redacted]	7751—[redacted]	7761—[redacted]	7771—[redacted]	7781—[redacted]	7791—[redacted]	7801—[redacted]	7821—7830	7841—7850	7851—[redacted]	7891—7900	7901—7910	7911—7920
7921—7930	7931—7940	7961—[redacted]	7991—8000	[redacted] 8010	8011—8020	[redacted] 8030	8141—8150	8161—8170	8181—[redacted]	8211—8220	8241—8250	8251—8260	8261—[redacted]	8271—8280	[redacted]	8291—8300
8301—[redacted]	8341—8350	8351—8360	[redacted] 8390	8421—[redacted]	8441—[redacted]	8451—[redacted]	8471—[redacted]	8481—8490	8491—[redacted]	8511—[redacted]	8531—8540	8601—8610	8631—8640	8641—8650	[redacted]	8691—8700
8701—8710	8721—8730	8741—[redacted]	8771—8780	8781—[redacted]	8791—[redacted]	8801—8810	[redacted] 8860	8861—[redacted]	[redacted] 8910	8921—8930	8941—8950	8951—8960	8961—8970	8971—8980	8981—8990	9021—9030
9041—9050	9071—9080	9091—9100	9111—[redacted]	9131—9140	9141—[redacted]	9151—[redacted]	9181—9190	9191—9200	[redacted] 9230	[redacted] 9270	9271—9280	9291—[redacted]	9301—[redacted]	9321—9330	[redacted]	9341—9350
9351—9360	9361—9370	9391—9400	9421—9430	9431—[redacted]	9441—[redacted]	9451—9460	9491—9500	9541—[redacted]	[redacted] 9590	9591—9600	9601—9610	9621—[redacted]	9631—9640	9641—9650	[redacted] 9670	9671—9680
9701—9710	9711—9720	9731—9740	9751—9760	9771—9780	9811—9820	9821—[redacted]	9871—[redacted]	[redacted] 9890	9891—9900	9931—9940	9951—9960	9961—9970	9971—9980	[redacted]	10021—10030	10031—10040
10051—10060	10061—10070	10101—10110	[redacted]	10161—10170	[redacted]	10181—10190	10201—10210	[redacted]	[redacted]	10241—10250	10261—10270	10271—[redacted]	10291—10300	10301—10310	10331—10340	10341—10350
10381—10390	10421—10430	10441—10450	10451—10460	10461—10470	10471—10480	10491—10500	10521—10530	10551—10560	10561—10570	10571—10580	10601—10610	10621—10630	10651—10660	10661—10670	10681—10690	10691—10700
10701—10710	10711—10720	10721—10730	10731—10740	10741—10750	10751—10760	10791—10800	10821—10830	10851—10860	10881—10890	10891—10900	10921—10930	10931—10940	10951—10960	10981—10990	10991—11000	11021—11030
11041—11050	11051—11060	11071—11080	11091—11100	11101—11110	11111—11120	11171—11180	11201—11210	11251—11260	11271—11280	11291—11300	11321—11330	11331—11340	11341—11350	11381—11390	11391—11400	11401—11410
11411—11420	11421—11430	11441—11450	11461—11470	11481—11490	11501—11510	11511—11520	11531—11540	11541—11550	11561—11570	11571—11580	11591—11600	11601—11610	11611—11620	11621—11630	11661—11670	11671—11680
11681—11690	11691—11700	11711—11720	11731—11740	11741—11750	11761—11770	11771—11780	11791—11800	11811—11820	11821—11830	11831—11840	11861—11870	11881—11890	11921—11930	11941—11950	11961—11970	11981—11990
12011—12020	12041—12050	12051—12060	12081—12090	12121—12130	12191—12200	12211—12220	12241—12250	12251—12260	[redacted]	12311—12320	12321—12330	12341—12350	12361—12370	12381—12390	12391—12400	12411—12430
12421—12430	[redacted]	12441—12450	12451—12460	12461—12470	12511—12520	12521—12530	12541—12550	12571—12580	12581—12590	[redacted]	12651—12660	12681—12690	12701—12710	12721—12730	12741—12750	12761—12770
[redacted]	12801—12810	12821—12830	12871—12880	12911—12920	12931—12940	12941—12950	12951—12960	12991—13000	13001—13010	13031—13040	13041—13050	13061—13070	13071—13080	13111—13120	13121—13130	[redacted]
13151—13160	[redacted]	13201—13210	13211—13220	13221—13230	13231—13240	13241—13250	13261—13270	13271—13280	13281—13290	13291—13300	13311—13330	13341—13350	13351—13360	13361—13370	13371—13380	13391—13400
13401—13410	13411—13420	13421—13430	13441—13450	13461—13470	13471—13480	13481—13490	13491—13500	13501—13510	13511—13520	13521—13530	13531—13540	13541—13550	13571—13580	13591—13600	13601—13610	[redacted]
[redacted]	13631—13640	13661—13670	13701—13710	13711—13720	13731—13740	13751—13760	13761—13770	13801—13810	13841—13850	13891—13900	13921—13930	13931—13940	13941—13950	13961—13970	13971—13980	13991—14000
14021—14030	14041—14050	14061—14070	14081—14090	14121—14130	14131—14140	14141—14150	14151—14160	14191—14200	14211—14220	14221—14230	14241—14250	14271—14280	14291—14300	14301—14310	14311—14320	14321—14330
[redacted]	[redacted]	14381—14390	14421—14430	14451—14460	14461—14470	14491—14500	14501—14510	14521—14530	14531—14540	14541—14550	14551—14560	14561—14570	14591—14600	14601—14610	14611—14620	14641—14650
14661—14670	[redacted]	14701—14710	14761—14770	14771—14780	14781—14790	14841—14850	14851—14860	14891—14900	14911—14920	14931—14940	14941—14950	14951—14960	14971—14980	14981—14990	15001—15010	15081—15090
15091—15100	15141—15150	15161—15170	15171—15180	15181—15190	15191—15200	15211—15220	15221—15230	15231—15240	15241—15250	15261—15270	15321—15330	15331—15340	15351—15360	15371—15380	15381—15390	15391—15400
15401—15410	15411—15420	15431—15440	15451—15460	15471—15480	15491—15500	15501—15510	15511—15520	15521—15530	15531—15540	15541—15550	15621—15630	15631—15640	15641—15650	15651—15660	15661—15670	15681—15690
15691—15700	15701—15710	15711—15720	15721—15730	15731—15740	15751—15760	15761—15770	15781—15790	15791—15800	[redacted]	[redacted]	15871—15880	15881—15890	15891—15900	15901—15910	15911—15920	15921—15930
15991—16000	16011—16020	16051—16060	16081—16090	16091—16100	16131—16140	16151—16160	16201—16210	16211—16220	16231—16240	16261—16270	16271—16280	16291—16300	16301—16310	16311—16320	16321—16330	16331—16340
16341—16350	[redacted]	16411—16420	16431—16440	16451—16460	16461—16470	16471—16480	16511—16520	16521—16530	16571—16580	16581—16590	16591—16600	16611—16620	16621—16630	16641—16650	16691—16700	16711—16720
16761—16770	16791—16800	16811—16820	[redacted]	16831—16840	16841—16850	16851—16860	16881—16890	16891—16900	16901—16910	16921—16930	16971—16980	16981—16990	16991—17000	17001—17010	17011—17020	[redacted]
[redacted]	[redacted]	17081—17090	17101—17110	17121—17130	17131—17140	17141—17150	17151—17160	17171—17180	17221—17230	17231—17240	17271—17280	17281—17290	17291—17300	17311—17320	17361—17370	17391—17400
17431—17440	17441—17450	17461—17470	17471—17480	[redacted]	17561—17570	17581—17590	17591—17600	17611—17620	17621—17630	17641—17650	17681—17690	17691—17700	17701—17710	17721—17730	17751—17760	[redacted]
17791—17800	17801—17810	[redacted]	17821—17830	17851—17860	17891—17900	17911—17920	17921—17930	17941—17950	17961—17970	17971—17980	17981—17990	17991—18000	18001—18010	18011—18020	18031—18040	[redacted]
18071—18080	18111—18120	18141—18150	18161—18170	18171—18180	18191—18200	18211—18220	18221—18230	18231—18240	18251—18260	18261—18270	18281—18290	18291—18300	18391—18400	18401—18410	18411—18420	[redacted]
18461—18470	18471—18480	[redacted]	18541—18550	[redacted]	18571—18580	18601—18610	18611—18620	18621—18630	[redacted]	[redacted]	18731—18740	[redacted]	18761—18770	18771—18780	18791—18800	18801—18810
18821—18830	18841—18850	18851—18860	[redacted]	18891—18900	18911—18920	18921—18930	18931—18940	18941—18950	[redacted]	18961—18970	19021—19030	19031—19040	19041—19050	19061—19070	19071—19080	19081—19090
19111—19120	19141—19150	[redacted]	19181—19190	[redacted]	19201—19210	19221—19230	19261—19270	19271—19280	19311—19320	[redacted]	19351—19360	19371—19380	19381—19390	19391—19400	19411—19420	[redacted]
19471—19480	19481—19490	19501—19510	19511—19520	19541—19550	19591—19600	19611—19620	19631—19640	19651—19660	19661—19670	19681—19690	19711—19720	19751—19760	19841—19850	19851—19860	[redacted]	19871—19880
19881—19890	[redacted]	19931—19940	19951—19960	19961—19970	19991—20000	20001—20010	20051—20060	20061—20070	20071—20080	[redacted]	[redacted]	20191—20200	20211—20220	20231—20240	20241—20250	20261—20270
20271—20280	20281—20290	20291—20300	20311—20320	20341—20350	20361—20370	20371—20380	20381—20390	20391—20400	20421—20430	20461—20470	20491—20500	[redacted]	20511—20520	20541—20550	[redacted]—20560	[redacted]
20571—20580	20591—20600	20601—20610	20611—20620	20631—20640	20641—20650	20661—20670	[redacted]	20691—20700	20701—20710	20711—20720	[redacted]	20731—20740	20741—20750	20761—20770	[redacted]—20830	20891—20900
20901—20910	20911—20920	20921—20930	20941—20950	20971—20980	20991—21000	21011—21020	21021—21030	21031—21040	21041—21050	[redacted]	21081—21090	21091—21100	[redacted]	21121—21130	21131—21140	[redacted]
21191—21200	21201—21210	21211—21220	21251—21260	21261—21270	21311—21320	[redacted]	21331—21340	21341—21350	21361—21370	[redacted]	[redacted]	[redacted]	[redacted]	21441—21450	[redacted]	[redacted]
21501—21510	21541—21550	21571—21580	21591—21600	21611—21620	21631—21640	21641—21650	21651—21660	21661—21670	21671—21680	[redacted]	21701—21710	21711—21720	21731—21740	21741—21750	[redacted]	21771—21780
21781—21790	21801—21810	21811—21820	21821—21830	21851—21860	21891—21900	[redacted]	21961—21970	21981—21990	22001—22010	22011—22020	22021—22030	22041—22050	22071—22080	22091—22100	[redacted]	22131—22140
22141—22150	[redacted]	22171—22180	22181—22190	22201—22210	22261—22270	22271—22280	22281—22290	22291—22300	22301—22310	22311—22320	22331—22340	22341—22350	22361—22370	22371—22380	22411—22420	22431—22440
22441—22450	22481—22490	22511—22520	22521—22530	22541—22550	22571—22580	22601—22610	22621—22630	22651—22660	22661—22670	22671—22680	22681—22690	22701—22710	22711—22720	22721—22730	22741—22750	22761—22770
22771—22780	22781—22790	22791—22800	22811—22820	22831—22840	[redacted]	22851—22860	22891—22900	22901—22910	22911—22920	22931—22940	22941—22950	22951—22960	22971—22980	23021—23030	23051—23060	23061—23070
23091—23100	23101—23110	23121—23130	23141—23150	23161—23170	23171—23180	23191—23200	23201—23210	23211—23220	23221—23230	23231—23240	23241—23250	23251—23260	23301—23310	23311—23320	23321—23330	23331—23340
23351—23360	23391—23400	23411—23420	23421—23430	23431—23440	23441—23450	23471—23480	[redacted]	23521—23530	23551—23560	23591—23600	23601—23610	23611—23620	23621—23630	23631—23640	23651—23660	23691—23700
23711—23720	23751—23760	23761—23770	23791—23800	23811—23820	23841—23850	23851—23860	23861—23870	23891—23900	23901—23910	23941—23950	[redacted]	23971—23980	24021—24030	24031—24040	24071—24080	24081—24090
24101—24110	24131—24140	24151—24160	24231—24240	24251—24260	24301—24310	24311—24320	24331—24340	24341—24350	24351—24360	24401—24410	24411—24420	24421—24430	24441—24450	24481—24490	24551—24560	24561—24570
24591—24600	24601—24610	24621—24630	24631—24640	24651—24660	24661—24670	24671—24680	24691—24700	24701—24710	24761—24770	24771—24780	[redacted]	24811—24820	24831—24840	24851—24860	24861—24870	24871—24880
24881—24890	24891—24900	24911—24920	24921—24930	24961—24970	24981—24990	24991—25000	25001—25010	25021—25030	25041—25050	25051—25060	[redacted]	25071—25080	25141—25150	25151—25160	25161—25170	25221—25230
25241—25250	25271—25280	25281—25290	25291—25300	25301—25310	25311—25320	25341—25350	25411—25420	25431—25440	25451—25460	25461—25470	[redacted]	25491—25500	25511—25520	25531—25540	25551—25560	25561—25570
25571—25580	25591—25600	25601—25610	25611—25620	25631—25640	25641—25650	25671—25680	25681—25690	25711—25720	25721—25730	[redacted]	25741—25750	25771—25780	25781—25790	25791—25800	25821—25830	25871—25880
25881—25890	25901—25910	25921—25930	25961—25970	25971—25980	26001—26010	26031—26040	26041—26050	26061—26070	26091—26100	26111—26120	26131—26140	[redacted]	26181—26190	26191—26200	26211—26220	26241—26250
26251—26260	26261—26270	26271—26280	26281—26290	26301—26310	26311—26320	26321—26330	26331—26340	26341—26350	26361—26370	[redacted]	[redacted]	26421—26430	26451—26460	26471—26480	26491—26500	26521—26530
26531—26540	26541—26550	26611—26620	26631—26640	26661—26670	26671—26680	26691—26700	[redacted]	26731—26740	26751—26760	[redacted]	26801—26810	[redacted]	26821—26830	26831—26840	26841—26850	26881—26890
26891—26900	26911—26920	26931—26940	26961—26970	26971—26980	26991—27000	27001—27010	[redacted]	27031—27040	27041—27050	27061—27070	27071—27080	[redacted]	27091—27100	27101—27110	27151—27160	27161—27170
27171—27180	27181—27190	27201—27210	27211—27220	27221—27230	27251—27260	27261—27270	27281—27290	[redacted]	27331—27340	[redacted]	27351—27360	[redacted]	[redacted]—27390	27411—27420	27421—27430	27431—27440
27441—27450	27451—27460	27511—27520	27531—27540	27541—27550	27561—27570	27571—27580	27581—27590	27631—27640	27651—27660	27661—27670	27671—27680	[redacted]	27711—27720	27721—27730	27731—27740	27781—27790
27811—27820	27821—27830	27881—27890	27891—27900	27901—27910	27921—27930	27941—27950	27961—27970	28011—28020	28031—28040	28041—28050	[redacted]	28081—28090	28101—28110	28111—28120	28131—28140	28151—28160
28161—28170	28171—28180	28201—28210	28211—28220	28261—28270	28301—28310	28311—28320	28331—28340	28361—28370	28381—28390	[redacted]	[redacted]	28481—28490	28491—28500	28511—28520	28521—28530	28531—28540
28541—28550	28551—28560	28571—28580	28581—28590	28591—28600	28601—28610	28621—28630	[redacted]	28691—28700	28701—28710	28721—28730	28741—28750	28751—28760	28761—28770	28771—28780	28821—28830	28851—28860
28861—28870	28871—28880	28881—28890	28891—28900	28901—28910	28911—28920	28931—28940	28951—28960	28961—28970	28981—28990	28991—29000	29001—29010	29011—29020	29051—29060	29061—29070	29071—29080	29111—29120
29121—29130	29141—29150	29151—29160	29161—29170	29171—29180	29201—29210	29211—29220	29231—29240	29251—29260	29271—29280	29351—29360	29361—29370	29401—29410	29411—29420	29421—29430	29461—29470	29471—29480
29491—29500	29501—29510	29511—29520	29521—29530	29531—29540	29541—29550	29551—29560	29571—29580	29581—29590	29601—29610	29611—29620	[redacted]	29651—29660	29661—29670	29731—29740	29741—29750	29761—29770
29881—29890	29891—29900	29911—29920	29941—29950	29981—29990	30071—30080	30091—30100	[redacted]	30121—30130	30151—30160	30181—30190	[redacted]	30231—30240	30241—30250	30251—30260	30261—30270	30271—30280
30321—30330	30331—30340	30361—30370	30371—30380	30431—30440	30451—30460	30461—30470	30471—30480	30491—30500	30511—30520	30521—30530	[redacted]	30551—30560	30581—30590	30591—30600	30601—30610	30631—30640
30651—30660	30661—30670	30671—30680	30691—30700	30701—30710	30711—30720	30721—30730	30761—30770	30791—30800	30801—30810	30841—30850	[redacted]	30871—30880	30881—30890	30911—30920	30931—30940	30991—31000
31011—31020	31021—31030	31031—31040	31051—31060	31071—31080	31101—31110	31111—31120	[redacted]	[redacted]	[redacted]	31271—31280	31301—31310	31351—31360	31361—31370	31381—31390	31401—31410	31411—31420
31421—31430	31431—31440	31451—31460	31461—31470	31481—31490	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	31621—31630	31641—31650	31651—31660	31661—31670	31671—31680	31691—31700	31701—31710
31711—31720	31731—31740	31791—31800	31801—31810	31811—31820	[redacted]	[redacted]	[redacted]	31871—31880	[redacted]	31931—31940	31941—31950	[redacted]	[redacted]	32021—32030	32051—32060	32061—32070
32071—32080	32091—32100	32111—32120	32141—32150	32151—32160	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	32221—32230	[redacted]	[redacted]	[redacted]	32291—32300	32311—32320	32341—32350
32351—32360	[redacted]	32371—32380	32421—32430	32431—32440	32451—32460	32481—32490	[redacted]	[redacted]	32511—32520	32531—32540	32551—32560	[redacted]	32581—32590	32591—32600	32631—32640	32641—32650
32651—32660	32661—32670	32671—32680	32751—32760	32771—32780	32801—32810	32811—32820	32821—32830	32831—32840	32841—32850	32851—32860	32871—32880	32881—32890	32911—32920	32941—32950	32961—32970	32971—32980
32991—33000	33011—33020	33031—33040	33061—33070	[redacted]	[redacted]	33121—33130	33131—33140	33171—33180	33181—33190	33221—33230	33231—33240	[redacted]	33261—33270	33301—33310	33311—33320	33321—33330
33341—33350	[redacted]	33361—33370	33371—33380	[redacted]	[redacted]	33421—33430	33471—33480	33521—33530	33531—33540	33541—33550	33551—33560	33561—33570	33571—33580	33591—33600	33621—33630	33651—33660
33661—33670	[redacted]	33691—33700	33711—33720	[redacted]	[redacted]	33891—33900	33901—33910	33911—33920	33921—33930	33931—33940	33941—33950	33961—33970	33991—34000	34001—34010	34031—34040	34051—34060
34081—34090	34091—34100	34101—34110	34121—34130	34151—34160	34171—34180	34191—34200	34261—34270	34301—34310	34321—34330	34351—34360	34371—34380	34381—34390	34391—34400	34411—34420	34421—34430	34441—34450
34461—34470	34471—34480	34501—34510	34521—34530	34531—34540	34541—34550	34551—34560	34591—34600	34641—34650	34651—34660	34661—34670	34671—34680	34701—34710	34711—34720	34731—34740	34741—34750	34751—34760
34771—34780	34791—34800	34801—34810	34821—34830	34831—34840	34851—34860	34861—34870	34881—34890	34891—34900	34901—34910	34911—34920	34921—34930	[redacted]	34981—34990	35001—35010	35021—35030	35041—35050
35051—35060	35081—35090	35091—35100	35141—35150	35161—35170	35181—35190	35211—35220	35221—35230	35231—35240	35241—35250	35251—35260	35291—35300	35321—35330	35331—35340	35401—35410	35411—35420	35431—35440
35471—35480	35491—35500	35531—35540	35541—35550	35551—35560	35591—35600	35661—35670	35681—35690	35701—35710	35711—35720	35721—35730	35731—35740	[redacted]	35771—35780	35791—35800	35801—35810	35821—35830
35851—35860	35861—35870	35871—35880	35881—35890	35891—35900	35911—35920	35921—35930	35941—35950	35951—35960	36001—36010	36011—36020	36021—36030	[redacted]	36061—36070	36071—36080	36081—36090	36091—36100
36111—36120	36121—36130	36131—36140	36191—36200	36201—36210	36211—36220	36251—36260	36271—36280	36281—36290	36291—36300	36311—36320	36321—36330	[redacted]	36361—36370	36381—36390	36391—36400	36401—36410
36411—36420	36441—36450	36451—36460	36461—36470	36471—36480	36481—36490	36521—36530	36541—36550	36551—36560	36571—36580	36591—36600	36641—36650	36671—36680	36701—36710	36721—36730	[redacted]	36781—36790
36791—36800	36821—36830	36831—36840	36851—36860	36861—36870	36881—36890	36891—36900	36901—36910	36921—36930	36941—36950	36951—36960	36961—36970	36981—36990	[redacted]	37011—37020	[redacted]	37031—37040
37071—37080	37101—37110	37171—37180	37211—37220	37231—37240	37241—37250	37251—37260	37281—37290	37311—37320	37341—37350	37361—37370	37401—37410	37411—37420	37421—37430	37451—37460	[redacted]	37471—37480
37501—37510	37541—37550	37551—37560	37571—37580	37581—37590	37591—37600	37601—37610	37611—37620	37621—37630	37641—37650	37691—37700	37721—37730	37741—37750	37751—37760	37791—37800	[redacted]	37821—37830
37871—37880	37891—37900	37901—37910	37911—37920	37961—37970	37981—37990	38001—38010	38051—38060	38061—38070	38071—38080	38081—38090	38111—38120	38131—38140	38141—38150	38151—38160	[redacted]	38181—38190
38211—38220	38221—38230	38231—38240	38251—38260	38261—38270	38301—38310	38311—38320	38341—38350	38351—38360	38361—38370	38371—38380	38381—38390	39421—39430	38461—38470	38481—38490	[redacted]	38501—38510
38521—38530	38541—38550	38551—38560	38641—38650	39641—39650	38651—38660	38661—38670	38671—38680	38681—38690	38711—38720	38741—38750	38761—38770	38771—38780	38781—38790	38801—38810	[redacted]	38861—38870
38891—38900	38901—38910	38911—38920	38921—38930	38941—38950	38951—38960	38961—38970	38971—38980	39011—39020	39031—39040	39051—39060	39081—39090	39111—39120	39121—39130	39171—39180	[redacted]	39191—39200
39221—39230	39231—39240	39241—39250	39251—39260	39261—39270	39271—39280	39281—39290	39291—39300	39301—39310	39311—39320	39321—39330	39331—39340	39341—39350	39351—39360	39361—39370	39381—39390	39491—39500
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39821—39830	39831—39840	39841—39850	39861—39870	39901—39910	39911—39920	39931—39940	39941—39950	39951—39960	39961—39970	39971—39980	40011—40020	40021—40030	40091—40100	40101—40110	40111—40120	40121—40130
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41091—41100	41101—41110	41121—41130	41131—41140	41141—41150	41151—41160	41171—41180	41191—41200	41211—41220	41221—41230	41231—41240	41251—41260	41291—41300	41311—41320	[redacted]1321—41330	41331—41340	41341—41350
41361—41370	41411—41420	41421—41430	41441—41450	41451—41460	41481—41490	41511—41520	41521—41530	41541—41550	[redacted]	41561—41570	41581—41590	41611—41620	41751—41760	41781—41790	41801—41810	41811—41820
41841—41850	41861—41870	41871—41880	41881—41890	41911—41920	41921—41930	[redacted]	[redacted]	41991—42000								

Outstanding Deposits of ECU10,000 Each Bearing Serial Numbers Ending in the Following Two Digits:

10	11	13	14	17	20	21	22	23	26	29	32	33	[redacted]	38	39	41	42	43	46	51	52	53	56	[redacted]
58	60	61	62	63	[redacted]	66	68	71	[redacted]	[redacted]	75	79	81	83	86	[redacted]	[redacted]	[redacted]	91	92	[redacted]	94	96	99

On 28th May, 1991 the Deposits designated above will become due and payable. Payments will be made on this date upon presentation and surrender of the designated Deposits at the main offices of Morgan Guaranty Trust Company of New York in Paris, London, Brussels, Frankfurt-am-Main or Banque International à Luxembourg SA in Luxembourg or Swiss Bank Corporation in Basle. Such payments will be made by credit or transfer to an ECU account subject [redacted] any applicable laws and regulations.

Deposits surrendered for redemption should have attached all unmatured Coupons appertaining thereto, failing which the face value of any missing unmatured Coupon will be deducted from the sum due for repayment. Coupons due 28th May, 1991 should be detached and collected in the usual manner. From and after 28th May, 1991, interest shall cease [redacted] accrue on the Deposits herein designated for redemption.

CREDITO ITALIANO (London Branch)
By: Morgan Guaranty Trust Company
of New York, *as Principal Paying Agent*

Dated: 24th April, 1991

COMMODITIES AND AGRICULTURE

Oil prices surge then slip back from $20 mark

By Deborah Hargreaves

OIL PRICES fell sharply yesterday after rising almost $1 a barrel over the last two days in line with strong prices for gas oil in Europe and gasoline in the US.

The price for North Sea Brent crude to be delivered in June slipped to $19.425 a barrel late yesterday after touching almost [illegible] a barrel [illegible] mid-session.

North Sea prices [illegible] depressed [illegible] yesterday [illegible] weaker New York [illegible] where the June futures contract slipped to $20.90 a barrel. "There's been a lot of technical buying over the last few weeks and as we go down those people will be exiting the market, which will push it even lower," said Mr Andy Lebow at E.D. & F. Man.

[illegible] oil prices have been boosted by the [illegible] cold weather in Europe which has given a temporary fillip [illegible] demand, particularly from Germany. At the same time, US petrol stocks have been run down to minimum operating levels, giving rise to fears of shortages as the nation enters its peak driving season in the next few weeks.

Imports of petrol to the US have been low as higher prices have [illegible] deliveries into Europe. But cargoes are now arriving in the north-eastern US again and are starting to relieve any tightness in the market with the attendant depressing effect on prices.

North Sea Brent traders rushed to buy oil on [illegible] when Chevron announced it would pull one of its cargoes from the May delivery programme in the North Sea. The company will [illegible] maintenance work on the Ninian pipeline next month.

But Mr Peter Gignoux at Lehman Brothers said, "there is plenty of foreign crude around and I think traders are beginning to realise this."

[illegible] tankers that were anchored off the Bay of Cadiz near Spain are understood to have set sale, prompting traders to speculate that Iran is beginning to sell its oil in floating storage.

Norway's output of crude to surpass UK

NORWAY will overtake Britain as Europe's [illegible] crude oil producer this year, according to a report issued by Edinburgh-based County NatWest WoodMac (CNWM), writes Karen Fossli in Oslo.

Norway's average crude oil and natural gas liquids (Ngl) production will increase by 13 per cent over last year's level to 1.94m barrels a day.

By comparison, [illegible] Britain will produce an average of 1.85m barrels a day [illegible] offshore fields, a slight increase over the 1990 average level of 1.84m barrels.

Britain's production is hindered by annual maintenance shutdowns in May and June and a loss of 200,000 barrels a day from the Brent field, where installation of [illegible] emergency shutdown valves is taking place.

In the fourth quarter of this year Norwegian crude oil/Ngl production will surge to around 2.1m barrels a day, its [illegible] ever, [illegible] CNWM. This increase will stem from the coming on stream of the Oseberg North field, which will produce 100,000 barrels a day of crude oil.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,670-1,725 (1,675–1,730).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.65-2.90 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 2.00-2.20 (1.95–2.20).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 13.50-13.90 (13.90-14.35).

MERCURY: European [illegible] market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 130-145 (135–145).

MOLYBDENUM: European [illegible] market, drummed molybdic o[illegible] $ per lb Mo, in warehouse, 2.52-2.56 (2.50-2.55).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, [illegible] (same).

TUNGSTEN ORE: European free market, standard min. 65 [illegible] cent, $ per tonne unit (10 [illegible] WO_3, cif, 50–57 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.55-2.65 (same).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 9.30 (same).

EC farm ministers focus on specifics

By David Gardner in Luxembourg

EC AGRICULTURE ministers yesterday put to one side their increasingly sterile confrontation over this year's farm spending limits, and focused instead on the specific market imbalances that threaten to break the Community's agriculture budget.

The 12 ministers – in their third attempt to break the [illegible] over price cuts put forward by Brussels to keep spending within the mandatory farm "guideline" – took their shopping lists to the Luxembourg presidency of the EC and Mr Ray MacSharry, agriculture commissioner.

The hope is that the presidency and the European Commission can distill from this a compromise to lay before the next council of agriculture [illegible] on [illegible] 21-22.

However, [illegible] optimistic because more than [illegible] will be required to resolve the central dispute – whether an increase of the Ecu32.5bn ($40bn) [illegible] for this year is justified by the cost of bringing east German farmers [illegible] Agricultural Policy. The UK, backed by the Netherlands, say no, while their colleagues, led by France and Ireland, argue that it is.

A majority of delegations felt yesterday that some sort of agreement was unlikely before June, a sentiment clear enough to become a self-fulfilling prophecy.

Commission officials, although they believe that a [illegible] that late means the CAP could run short of funds by October, were encouraged by the sight of [illegible] engaging with the details of the [illegible] for [illegible]. There were, however, few signs of [illegible] that would reduce spending.

One exception was the UK argument that milk quotas should be cut by 4-5 per cent, instead of 2 per cent as the Commission wants. Mr John Gummer, the British agriculture minister, said that farmers know a second cut will have to [illegible] one of 2 per cent.

Mr MacSharry said late on Monday that if no action was [illegible] to [illegible] prices and cut overproduction, EC [illegible] of surplus food would grow by [illegible] time next year to 28m tonnes of cereals (from a record 20m now); to 1m tonnes of butter and skimmed milk (725,000 tonnes); and a record 1m tonnes of beef, from 750,000 tonnes now.

"The only limit on intervention stocks now is the lack of storage space," one Commission official remarked.

Botswana tries to loosen De Beers' grip

The world diamond cartel faces strong calls for change, writes Kenneth Gooding

NEGOTIATIONS FOR a new [illegible] between Botswana, the world's [illegible] important diamond producer in value terms, and De Beers, the South African group which controls 80 per cent of the market for rough (uncut) diamonds, are taking [illegible] longer than expected. The previous three-year contract ended on December 31.

[illegible] politicians want to change De Beers' exclusive sales contract so that part of their country's output can be sold independently of the [illegible] international cartel. This would give Botswana its own "market window" to see what its diamonds are worth in the free market.

De Beers is resisting any change. Mr Nicholas Oppenheimer, chairman of the group's Central Selling Organisation, argues that if Botswana chose not to sell its production exclusively through his organisation, the CSO's ability to regulate the [illegible] of rough [illegible] would be [illegible]mised.

He said: "Because the major (diamond) producers freely [illegible] to sell exclusively through one channel, the CSO is able to preserve an orderly market by matching rough diamond sales closely to consumer demand."

However, IDC (Holdings), a London-based group which claims to be the most experienced and substantial dealer in rough diamonds independent of the CSO, suggests the CSO's [illegible] "is [illegible] and based on a conceptual argument with little [illegible] in [illegible]."

In presentations to [illegible] Policy Committee and members of parliament, IDC has been arguing that, not only was it commercially essential for Botswana to [illegible] the real value of its diamond output, but that the country had a political responsibility to do so.

"Data accumulated independently of the CSO would put Botswana in a position to have more input into the arrangements for the sale of its diamonds," IDC pointed out. "On a political level this would enable the government to answer its critics or its [illegible] with confidence and sure knowledge when questioned about arrangements for the disposal of the country's mineral assets."

If Botswana were to sell 10 per cent of its rough diamond production, [illegible] about US$100m, independently of the CSO – which sells about $4bn-worth a year from all over the world – it would represent no threat to market stability, IDC said.

It claims analysts have estimated that 50 per cent of De Beers' diamond profits in 1989 came from Botswana. "This profit is disproportionate to the sale of diamonds by Debswana (De Beers' subsidiary in Botswana) to the CSO as a percentage of the CSO's total sales profits," IDC says.

"It is not unreasonable to [illegible] Botswana is the only major producer currently selling 100 per cent of its production to the CSO has any bearing on the substantial profits made by the CSO on the sale of its [illegible]."

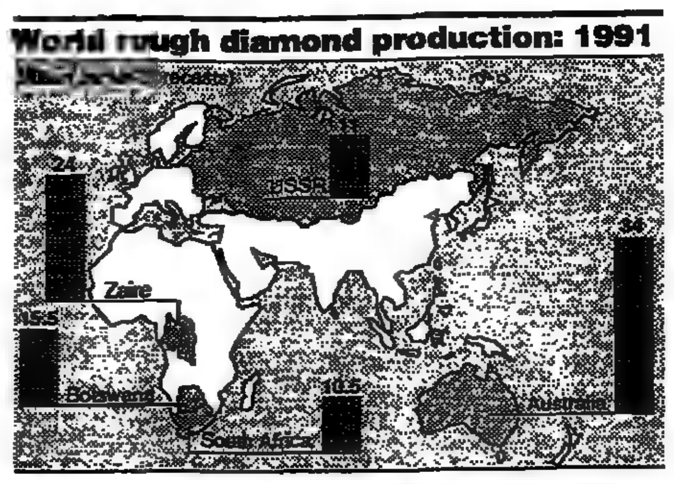
Other substantial producers such as the Soviet Union, Angola, Zaire and Australia do not sell all their production to the CSO [illegible] access [illegible] information.

IDC does have a vested interest. It already markets [illegible] for producers in Guinea, Guyana, Brazil and the [illegible] African Republic, [illegible] is offering to do some marketing for Botswana.

It acknowledges that all sectors of the diamond trade welcomed the CSO's efforts to keep the diamond market stable. But "the fact that the CSO forms part of an aggressive, profit-motivated public company with a primary responsibility to its shareholders is often lost from view."

De Beers says Botswana [illegible] its diamond account profits – but it will not divulge the true figure.

It suggests IDC's arguments are flawed [illegible] they are based on an assumption that



Botswana needs more market information. However, in common with other producers selling diamonds to the CSO, Botswana has appointed independent valuers who continuously monitor diamond production and the prices paid.

According to the CSO, these valuers are fully informed about market conditions and the prices received for Botswana stones.

Mr Geoffrey Leggett at IDC suggests, however, the valuer only ensures that the assortment of diamonds from Botswana conforms to an agreed sample and that the agreed contract price is paid. "He is not a trader, he does not know what the stones are worth in the market."

De Beers insists it remains on cordial terms with Botswana and says the country is still selling its diamonds through the CSO. It is not the first time that contract negotiations have gone on past the theoretical deadline. The Botswana government recently set up a diamond cutting centre [illegible] De Beers' technical help, and this, too, should further the country's understanding of the market.

There has been a special relationship between the CSO and Botswana since 1987 when the country sold its diamond stockpile to De Beers in exchange for an estimated US$250m and a 5.27 per cent shareholding in the South African group.

Analysts suggest market conditions do not help Botswana press its case. De Beers, which itself mines about 40 per [illegible] of the world's annual rough diamond output, markets stones from Angola, Australia, Namibia, Tanzania, Zaire and the Soviet Union, as well as South [illegible] and Botswana.

Prices of rough diamonds, with few exceptions, have moved upwards every year since the 1930s depression. But now De Beers is steering the world's most successful cartel through depressed market conditions caused by the recession in the US (the biggest single market for diamonds), sogginess in Japan (the second-largest), and the Gulf war.

To maintain price stability, the CSO is stockpiling diamonds at great expense, rather than releasing unwanted stones to the market. Its promotional budget has been lifted by 20 per cent to more than $1m a week – $53m for the [illegible].

In addition, Botswana [illegible] year faces its first budgetary deficit since [illegible] and, according to De Beers' calculations, one of its diamond mines – Orapa – needs investment of US$600m.

The CSO has also notched up some recent coups: bringing a big part of the Soviet Union's and Angola's rough diamond output back into the cartel – or what it calls its "single channel marketing" – arrangements.

However, the CSO is also currently involved in contract negotiations with Argyle Diamonds, the western Australian company which is the [illegible] individual diamond producer in volume (but only sixth in value) [illegible] Argyle, too, wants to stay with the CSO when its contract ends on May 1 – but on more favourable terms.

A delegation from [illegible] is to meet CSO representatives in London at the end of this month for another attempt to break the deadlock. The industry is betting that Botswana will give way, perhaps in return for De Beers helping to finance the Orapa mine investment. However, the "market window" idea is unlikely to be dropped and will almost certainly be raised again when the next [illegible] negotiations [illegible].

Tin price forecast to rise by 50%

By Kenneth Gooding, Mining Correspondent

TIN PRICES will rise by 50 per cent in the [illegible] 12 months from the current low levels which make most of the industry unprofitable, forecasts the [illegible]t Intelligence Unit (EIU) research group.

This is a less-[illegible] prediction than the [illegible] of Tin Producing [illegible] (ATPC) and [illegible] EIU [illegible] that there is "a high probability" that its forecasts will be wrong because "at some stage it will no longer be appropriate for consumers to keep stocks at a bare minimum.

"No one wants to anticipate that moment, but equally no one wants to be left out once it arrives. When prices do rise, they will rise very sharply," the EIU warns in its latest World Commodity Forecasts report.

LME WAREHOUSE STOCKS (As at Monday's close) tonnes		
Aluminium	+175	to 384,800
Copper	+1,375	to 225,000
Lead	[illegible]	to 71,850
Nickel	-622	to 5,084
Zinc	+1,200	to 103,975
[illegible]	-415	to 18,615

It predicts that tin prices will move up from an average $2.53 a lb in the first quarter this year to $3.80 in April-June 1992.

Primary tin output will fall by nearly 12 per cent to 159,000 tonnes this year because of cuts by producers.

Consumption is forecast to slip by 2.7 per cent to 175,500 tonnes, which would imply a deficit in the west of 12,500 tonnes. Sales from the US strategic stockpile and imports from the eastern bloc are expected by the EIU to account for some of the deficit, leaving western stocks to be reduced by 10,000 tonnes – well below the 13,000 tonnes hoped for by the ATPC.

The EIU expects next year's mine production to recover by more [illegible] consumption – to [illegible] tonnes against consumption of 177,100 tonnes. Stocks might fall again, by another 7,800 tonnes, the EIU suggests, putting an upward pressure on prices.

World Commodity Forecasts. Published six times a year. £245 or US$465 a year from the EIU, 40 Duke Street, London W1A 1DW.

Diversification uneconomic

By David Blackwell

FARMERS are unlikely to be able to make money by diversifying into production of materials for use in the energy, chemical and packaging industries, according to a House of [illegible] select committee report out today.

The report says that while many technological difficulties remain, the major hurdle is the fact that "agricultural feedstocks are not currently competitive with hydrocarbons and other feedstocks. Without some convergence in prices, industry will not make the investment necessary to enable new markets to be developed and exploited."

Non-Food Uses of Agricultural Products. Select [illegible] tee on the European Communities. HMSO, £22.75.

● The US Meat Export Federation estimates that it could sell between 80,000 and [illegible] tonnes of high quality beef a year to the EC if [illegible] were allowed access to the [illegible]. But, said Mr Philip Seng, chief executive officer, trying to get [illegible] market was comparable to the myth of Sisyphus.

US beef imports to the EC are hampered by a combination of a ban on growth hormones and an EC directive on the standard of slaughter-houses, as well as tariff and quota regulations. "Some US traders say Europe is more protectionist than the Japanese market," said Mr Seng, who is in London for the World Meat Congress, which opens today.

MARKET REPORT

Zinc trading on the LME was mainly influenced by movements in the [illegible] (premium for [illegible] metal) [illegible] widened sharply [illegible] midday [illegible] narrowing just as quickly during [illegible] afternoon trading. Traders [illegible] borrowing (buying cash and selling forward) order, believed to be an investment fund [illegible] the backwardation widen to $100 a tonne [illegible] stage. But when the same fund started to lend (sell cash and buy forward) metal it quickly narrowed to $45 a tonne, about the same level that was ruling late Monday. News of production problems at [illegible] Broken Hill mine and a smaller than expected 1,200 tonne rise in LME stocks lifted three month prices earlier. The lead market moved [illegible] on the developing tightness of metal for delivery in May. [illegible] London bullion market [illegible] waves of selling, said by some [illegible] to be from the Middle East, hit the market first in London and then in New York. Dealers had expected gold to rise as the [illegible] dipped first on a round of [illegible] intervention and then on weak March US durable goods data. But the opposite occurred with the reported Middle East selling driving the metal down to test support at $355.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	[illegible]	[illegible]
Brent Blend (dated)	$19.50-9.60	[illegible]
Brent Blend (Jun)	$19.40-9.45	[illegible]
W.T.I. (1 pm est)	$21.10-1.15u	-.30
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	[illegible]	+2
Gas Oil	[illegible]	
Heavy Fuel Oil	[illegible]	
Naphtha	$203-205	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	[illegible]	[illegible]
Silver (per troy oz)♣	391.50c	-5.00
Platinum (per troy oz)	$369.50	+2.00
Palladium (per troy oz)	$100.00	[illegible]
Aluminium (free market)	$1380	10
Copper (US Producer)	114⅜c	-⅛
Lead (US Producer)	33c	
Nickel (free market)	424c	+2
Tin (Kuala Lumpur market)	[illegible].93r	+0.03
Tin (New York)	260.5c	+2.50
Zinc (US Prime Western)	62c	
Cattle (live weight)†	111.10p	+1.76*
[illegible] (dead weight)†	224.79p	+18.9*
[illegible] (live weight)†	85.89p	+1.49*
London daily sugar (raw)	[illegible]	+1.9
London daily sugar (white)	$273.0t	+5.0
Tate and Lyle export price	£229.5	+2.5
Barley (English feed)	[illegible]	
Maize (US No. 3 yellow)	[illegible]	
Wheat (US Dark Northern)	[illegible]	
Rubber (May)♥	52.50p	-0.25
Rubber (Jun)♥	53.25p	-0.25
Rubber (KL RSS No 1 May)	227.0m	+0.5
Coconut oil (Philippines)§	$332.5q	+2.5
Palm Oil (Malaysian)§	$320.0s	-7.5
Copra (Philippines)§	$220x	
Soyabeans (US)	£161.0	+1.0
Cotton "A" index	83.60c	
Wooltops (64s Super)	344p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jun/Jul t-May/Jun u-Jun. x-Jul/Aug. s-Apr/Jun. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)			
Raw	Close	Previous	High/Low
[illegible]	175.00	177.60	176.60 173.20
[illegible]	[illegible]	178.60	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	176.60	180.00	178.00 176.60
White	Close	Previous	High/Low
Aug	265.0	[illegible]	[illegible]
Oct	245.0	[illegible]	[illegible]
Dec	243.5	[illegible]	242.0 2[illegible]
Mar	246.0	[illegible]	246.0 244.5
May	250.5	[illegible]	[illegible] 247.5
Aug	255.5	257.5	[illegible] 254.0
Oct	247.5		246.5 246.0

Turnover: Raw 957 (2586) lots of 50 tonnes. White 217 (473) Paris- White (FFr per tonne): Aug 1565, Oct [illegible]

CRUDE OIL – IPE $/barrel			
	Close	Previous	High/Low
Jun	19.32	[illegible]	19.83 19.46
Jul	19.01	[illegible]	[illegible]
Aug	[illegible]	19.20	[illegible] 19.05
Sep	18.93	19.18	[illegible]
Oct	18.90	19.05	[illegible]
Nov	18.90		[illegible] 19.14
IPE Index	18.33	18.07	

Turnover 8582 (6247)

GAS OIL – IPE [illegible]			
	Close	Previous	High/Low
May	186.75	185.25	[illegible] 185.50
Jun	180.50	179.75	[illegible] 180.00
[illegible]	176.75	[illegible]	[illegible] 176.50
[illegible]	[illegible]	177.75	181.50 176.75
[illegible]	180.50	179.50	183.50 180.25
[illegible]	[illegible]	[illegible]	[illegible] 182.50
[illegible]	[illegible]	[illegible]	[illegible] 183.25
[illegible]	184.00	[illegible]	[illegible] 183.50
Jan	183.00		186.00 183.50

Turnover 13869 (7617) lots of 100 tonnes

COTTON
Liverpool- Spot and shipment sales in Liverpool for the week ended April 19 amounted to 9 tonnes, against 98 tonnes in the previous week.
JUTE
April/May C and F Dundee: BTC [illegible] $510, BTD $465, BWD $465, C and F Antwerp: BTC $475, BWC $480, BTD $460, BWD $445.

COCOA – London FOX [illegible]			
	Close	[illegible]	[illegible]
May	645	644	649 642
Jul	670	669	674 666
Sep	694	693	699 692
[illegible]	[illegible]	[illegible]	730 723
Mar	756	[illegible]	759 752
May	777	[illegible]	776 772
Jul	795	794	[illegible]

Turnover [illegible] (7250) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Apr 22 839.50 (845.48) 10 day average for Apr 23 854.35 (853.58)

COFFEE – London FOX £/tonne			
	[illegible]	[illegible]	High/Low
[illegible]	[illegible]	593	[illegible]
Jul	603	606	[illegible]
[illegible]	[illegible]	626	623 [illegible]
Nov	[illegible]	642	[illegible] 636
Jan	[illegible]	660	657 656
[illegible]	666	670	671 668

Turnover: 4536 (7951) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Apr 22 : Comp. daily 70.75 (70.71). 15 day average 72.20 (72.40)

POTATOES – London FOX £/tonne			
	[illegible]	[illegible]	High/Low
[illegible]	[illegible]	135.9	137.5 134.0
[illegible]	[illegible]		128.5 126.5
Apr	129.0	133.5	132.0 [illegible]

Turnover 138 (75) lots of 40 tonnes.

SOYAMEAL – London FOX [illegible]			
	[illegible]	[illegible]	[illegible]
Jun	[illegible]	125.00	[illegible] 123.00
[illegible]	[illegible]	[illegible]	125.50
[illegible]	[illegible]	[illegible]	[illegible]

Turnover 290 (321)lots of 20 tonnes.

FREIGHT – London FOX $10/index point			
	[illegible]	[illegible]	[illegible]
Apr	1623	1611	1625 1612
[illegible]	1605	1579	1605 1580
Jul	1270	1262	1270 1255
[illegible]	1360		1360 1345
[illegible]	1600	1596	

Turnover 235 (279)

GRAINS – London FOX £/tonne			
Wheat	[illegible]	[illegible]	High/Low
May	[illegible]	139.00	139.00 138.40
[illegible]	[illegible]	141.00	140.75 140.00
[illegible]	[illegible]	[illegible]	110.70 110.50
[illegible]	[illegible]	[illegible]	113.75 113.30
Jan	117.10	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
Barley	[illegible]	Previous	High/Low
[illegible]	[illegible]	118.25	[illegible]
[illegible]	[illegible]		[illegible]
Nov	111.00		111.00
Mar	117.05		117.05
[illegible]	119.00		[illegible]

Turnover: Wheat 243 (220), Barley 52 (54).
Turnover lots of 100 tonnes.

PIGS – London FOX (Cash [illegible] p/kg)			
	Close	Previous	High/Low
Aug	116.5	116.5	116.0
Sep	116.5	116.5	116.5 116.0
Oct	116.5	116.6	116.5 116.0
Nov	[illegible]	[illegible]	[illegible]

Turnover: 104 (162) lots of 3,250 kg

[illegible] – London FOX					
	[illegible]	Prev.	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	153.37			
May	152.50	153.10	153.10	152.60	129
Jun	151.90	153.20	152.50	151.90	101
[illegible]	152.00	[illegible]	152.00	151.60	[illegible]
Dec	[illegible]	[illegible]	[illegible]		37

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)						
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ([illegible])						Total daily turnover 18,519 lots
Cash	1377-9	1363-5	1376	1375-6		
3 months	1409-10	1416-7	1415/1404	1403-4	1409-10	70,899 lots
Copper, Grade A (£ per tonne)						Total daily [illegible] 36,444 lots
Cash	[illegible]	1489-91	1468.5/1450	1468.5-8.5		
3 months	1429-30	1495-7	[illegible]	[illegible]	1429-30	[illegible] lots
Lead (£ per tonne)						Total [illegible]
Cash	[illegible]	347-8	361.5	361.5-2		
3 months	[illegible]	353.5-4	[illegible]	355-5.5	[illegible].5	14,465 lots
Nickel ($ per tonne)						Total daily turnover 2,061 lots
Cash	9060-80	9150-80		9120-30		
3 months	9050-55	9125-40	[illegible]	[illegible]	9030-50	8,876 lots
Tin ($ per tonne)						Total daily turnover 2,629 lots
Cash	5545-55	5510-5	5585	5585-7		
3 months	5640-50	5605-10	[illegible]	5627-30	5575-80	5,270 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 5,639 lots
Cash	1242-7	1215-8	1255	1250-5		
3 months	1176-7	1175-8	[illegible]	1183-5	1176-7	24,696 lots

LME [illegible] £/$ rate
SPOT: 1.7122 3 months: 1.6895 6 months: [illegible] 9 months: 1.6684

LONDON BULLION MARKET (Prices supplied by N.M.Rothschild)		
Gold (fine oz)	$ price	£ equivalent
Close	355.50-355.90	
[illegible]	[illegible]	
[illegible] fix	[illegible]	210.722
Afternoon fix	[illegible]	209.449
Day's high	[illegible]	
Day's low	[illegible]	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	5.51	6 months	5.39
2 months	5.50	12 months	[illegible]
3 months	5.49		

Silver fix	p/fine oz	US cts equiv
Spot	232.25	[illegible]
3 months	[illegible]	[illegible]
6 months	[illegible]	405.55
12 months	[illegible]	421.10

GOLD COINS (Prices supplied by Engelhard Metals)		
	$ price	£ equivalent
Krugerrand	356.00-357.00	208.75-209.25
Maple leaf	[illegible]	213.50-214.00
New Sovereign	86.00-87.50	50.50-51.00

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	[illegible]	[illegible]	[illegible]
1300	87	113	1	8
1400	8	[illegible]	[illegible]	[illegible]
1500	1	12	113	105
Copper (Grade A)	Calls		Puts	
2400	86	84	2	59
2500	18	41	33	115
2600	1	[illegible]	116	190
Coffee	Jul	Sep	Jul	Sep
[illegible]	[illegible]	77	1	7
[illegible]	57	22	3	22
650	25	21	23	51
Cocoa	Jul	Sep	Jul	Sep
600	73	68	4	24
650	35	41	[illegible]	[illegible]
700	14	24	[illegible]	[illegible]
Brent Crude	Jun	Jul	Jun	Jul
1950	159		13	
[illegible]	[illegible]			
[illegible]	62	87	[illegible]	

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Apr	357.1	357.9	357.5	355.8
May	[illegible]	[illegible]	0	0
Jun	[illegible]	[illegible]	358.5	[illegible]
[illegible]	[illegible]	362.7	362.1	[illegible]
Oct	365.1	366.0	365.1	365.0
Dec	368.4	369.3	[illegible]	368.5
[illegible]	[illegible]	372.7	[illegible]	[illegible]
[illegible]	375.1	376.0	374.5	0
[illegible]	378.6	379.5	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Apr	390.2	390.9	390.0	0
Jul	[illegible]	394.9	394.9	391.5
[illegible]	[illegible]	398.6	399.0	395.5
Jan	[illegible]	402.2	400.0	399.7
[illegible]	405.2	[illegible]	405.5	0
[illegible]	[illegible]	410.7	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
[illegible]	393.6	[illegible]	0	0
[illegible]	[illegible]	[illegible]	394.5	395.0
Jun	396.3	[illegible]	0	0
[illegible]	398.8	[illegible]	399.0	[illegible]
[illegible]	[illegible]	403.3	403.0	399.1
Dec	410.7	410.9	[illegible]	405.0
Jan	413.0	412.7	410.0	0
Mar	418.2	418.8	416.5	0
May	423.4	423.3	0	0
Jul	428.7	428.7	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Apr	108.80	109.90	110.10	108.40
May	108.70	110.25	110.80	108.50
Jun	108.50	109.40	109.50	108.50
Jul	107.70	108.50	108.85	107.55
Aug	107.15	107.85	0	0
Sep	106.60	107.15	107.45	106.40
Oct	106.05	106.60	0	0
Nov	105.60	105.20	0	0
Dec	105.10	105.45	105.90	104.85
Jan	104.45	104.60	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Close	Previous	High/Low	
Jun	20.88	21.32	21.70	20.93
Nov	20.60	20.45	20.65	20.30
Dec	20.12	20.30	20.60	20.20
[illegible]	[illegible]	20.33	20.55	20.18
Feb	[illegible]	[illegible]	20.43	20.38
[illegible]	[illegible]	20.29	20.30	[illegible]

HEATING OIL 42,000 US galls, cents/US galls				
	Close	[illegible]	High/Low	
May	5897	5723	5880	5705
Jun	5808	[illegible]	5770	5630
Jul	5593	[illegible]	5745	[illegible]
Aug	5619	[illegible]	5785	[illegible]
[illegible]	[illegible]	5805	5805	[illegible]
[illegible]	5894	5865	6000	5910
[illegible]	5924	[illegible]	6065	5995
[illegible]	6004	[illegible]	6155	6075
[illegible]	[illegible]	[illegible]	6130	6095
[illegible]	5994	5955	5990	[illegible]

[illegible] 10 [illegible]				
	[illegible]	[illegible]	High/Low	
May	1049	1040	1057	[illegible]
Jul	1080	1085	1091	1085
[illegible]	[illegible]	[illegible]	1108	1096
[illegible]	[illegible]	[illegible]	1147	1139
[illegible]	1170	1168	1160	[illegible]
May	[illegible]	1198	1207	[illegible]
Jul	1225	1224	1235	1230
Sep	1240	0	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
[illegible]	[illegible]	89.60	90.10	86.75
Jul	90.60	91.85	92.85	90.60
Sep	93.15	93.90	94.80	93.10
Dec	96.05	96.80	97.50	[illegible]
Mar	99.00	99.70	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	102.65	[illegible]	105.00	[illegible]
Sep	105.10	105.60	107.50	105.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	[illegible]	[illegible]	High/Low	
May	[illegible]	[illegible]	8.05	7.86
Jul	[illegible]	8.01	[illegible]	[illegible]
Oct	7.78	7.97	[illegible]	[illegible]
Mar	7.83	7.97	7.93	7.82
[illegible]	7.88	8.03	7.98	7.92
Jul	[illegible]	8.11	0	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	86.10	88.40
Jul	[illegible]	86.47	[illegible]	[illegible]
Oct	[illegible]	76.20	76.36	75.55
Dec	[illegible]	[illegible]	71.68	71.15
Mar	[illegible]	[illegible]	72.50	72.20
May	72.80	72.95	72.90	72.85
Jul	73.15	73.23	73.05	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
May	112.75	113.25	113.25	112.45
Jul	112.60	113.35	113.20	112.30
Sep	112.60	114.00	113.70	112.60
Nov	112.90	114.00	113.75	112.90

INDICES

REUTERS (Base: September 18 1931 = 100)			
Apr 23	Apr 22	mnth ago	yr ago
1741.3	1737.9	1725.7	1931.0

DOW JONES (Base: Dec. 31 1974 = 100)				
	Apr 19	Apr 18	mnth ago	yr ago
Spot	128.74	[illegible]	[illegible]	135.34
Futures	128.05	[illegible]	128.67	[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
May	[illegible]	[illegible]	594/0	583/0
Jul	[illegible]	[illegible]	606/0	[illegible]
Aug	610/6	601/0	611/2	[illegible]
[illegible]	613/2	[illegible]	613/4	604/4
Nov	622/2	614/6	622/4	613/6
Jan	632/2	625/4	632/2	624/4
[illegible]	642/4	637/4	642/4	639/0
[illegible]	650/0	645/0	651/0	650/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
May	21.34	21.19	[illegible]	21.16
Jul	21.70	21.54	21.75	[illegible]
Aug	21.87	21.71	21.91	[illegible]
[illegible]	22.05	21.86	22.07	[illegible]
Oct	22.19	22.07	22.20	22.02
[illegible]	22.50	[illegible]	[illegible]	22.30
Jan	[illegible]	[illegible]	22.64	22.45
Mar	[illegible]	[illegible]	0	0

SOYABEAN MEAL 100 tons; $/ton				
	Close	[illegible]	High/Low	
[illegible]	175.1	[illegible]	[illegible]	171.8
Jul	[illegible]	[illegible]	178.2	174.8
Aug	[illegible]	176.5	179.2	176.2
[illegible]	[illegible]	[illegible]	[illegible]	177.8
Oct	181.1	179.2	[illegible]	[illegible]
Dec	184.3	[illegible]	184.5	[illegible]
Jan	184.5	[illegible]	185.0	183.2
Mar	186.2	[illegible]	0	[illegible]
May	188.0	186.0	0	[illegible]

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
May	256/4	255/0	258/6	254/0
Jul	263/2	261/4	263/4	260/4
[illegible]	261/2	259/2	261/4	258/4
[illegible]	260/2	[illegible]	260/2	258/2
[illegible]	268/0	[illegible]	[illegible]	263/6
[illegible]	272/6	270/4	[illegible]	269/6
[illegible]	[illegible]	[illegible]	277/0	273/6

WHEAT 5,000 bu min; cents/60lb-bushel				
	[illegible]	[illegible]	High/Low	
May	[illegible]	279/0	281/4	[illegible]
Jul	292/2	[illegible]	[illegible]	288/0
Sep	301/4	[illegible]	[illegible]	296/2
Dec	[illegible]	[illegible]	314/6	[illegible]
Mar	323/0	320/0	323/0	319/2
May	325/4	322/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs				
	[illegible]	[illegible]	High/Low	
Apr	79.95	79.92	80.25	79.80
Jun	76.12	75.70	76.25	75.85
Aug	74.87	74.65	75.15	74.80
Oct	[illegible]	75.10	75.55	[illegible]
[illegible]	[illegible]	76.32	76.62	[illegible]
Feb	[illegible]	[illegible]	76.30	76.10
Apr	[illegible]	[illegible]	0	0

LIVE HOGS 30,000 lb; cents/lbs				
	Close	Previous	High/Low	
Apr	[illegible]	52.62	53.57	53.10
Jun	[illegible]	58.10	58.45	57.85
Jul	[illegible]	56.97	57.40	56.90
Aug	53.85	54.17	54.45	53.85
Oct	48.80	48.97	49.05	[illegible]
Dec	48.3[illegible]	48.25	[illegible]	[illegible]
Feb	47.7[illegible]	47.70	[illegible]	0
Apr	46.20	[illegible]	[illegible]	46.15

PORK BELLIES 40,000 lbs; cents/lb				
	[illegible]	Previous	High/Low	
May	63.40	61.40	63.40	61.60
Jul	61.22	[illegible]	61.22	59.25
[illegible]	[illegible]	[illegible]	58.22	56.05
[illegible]	60.47	[illegible]	[illegible]	59.60
				0

LONDON STOCK EXCHANGE

Firmer tone but volume remains thin

THE UK stock market turned its attention back to the domestic scene yesterday when the FT-SE climbed painfully above 2,500 again after Mr Norman Lamont, the chancellor of the exchequer, made favourable comments on the progress of inflation. But the immediate gain of 17.5 Footsie points, following Mr Lamont's speech to the Institute of Directors, was trimmed later and trading volume remained disappointing.

Equities opened lower, reacting to the further fall of 38 Dow points on Wall Street overnight. Mr Lamont's statement that UK inflation is falling fast revived hopes that the next cut in base rates may not be quite so far away as feared; the market's swift response was also fuelled by firmness in stock index futures.

However, the stock market topped off fairly quickly, also discouraged by news of a modest widening in the UK monthly current account trade deficit to £432m in March. A further attempt to move forward when Wall Street opened higher was checked when the Dow slipped back from its early high to show a gain of about 8 points in London trading hours.

The final London reading put the FT-SE Index at 2,503.8 for a net gain of 13 points.

Account Dealing Dates		
*First Dealings:		
Apr 15	Apr 29	May 20
Option Declarations:		
Apr 25	May 16	May 30
Last Dealings:		
Apr 26	May 17	May 31
Account Day:		
May 7	May 28	Jun 10

*New-time dealings may take place from 8.30 am two business days earlier.

Equity dealers found the recapture of the Footsie 2,500 area "unconvincing," largely because turnover was unimpressive. Equity strategists continue to take a cautious view of the near term outlook for the equity market. How[illegible] UBS Phillips & Drew said [illegible] there are some grounds for mild optimism about the UK economy, despite "[illegible] exceedingly grim [illegible] quarter." It warned that political factors could unsettle sterling and hence keep real interest rates high.

Seaq volume of 520.6m shares yesterday, against 403m on Monday, was inflated by turnover of 101m shares in [illegible] Saatchi, comprised largely of a deal of 45m shares in the advertising group, double-counted on Seaq. More [illegible] from [illegible] London Stock Exchange indicated that retail, or customer, interest in equities, continues to fall well below the £1bn daily level still seen as [illegible] target for [illegible] London securities industry to trade profitably.

The revived uncertainties in the industry were revealed by the decision by Barclays de Zoete Wedd, the UK investment bank, to pull out of [illegible] US [illegible] Kleinwort Benson, the London merchant bank, disclosed financial write-offs in its US arm. However, there was better news on progress at County NatWest, the securities arm of National Westminster.

The stock market was also waiting for news on the proposals to merge the London Traded Options Market with Liffe, the London International Financial [illegible].

The market took on board two more rights issues, the most significant being a call for £162m from Taylor Woodrow, one [illegible] Britain's largest housebuilders. But the construction and building sector also had to face a disappointing trading [illegible] from Tarmac.

The blue chip stocks were mostly a [illegible] firmer on the day, responding to the more optimistic [illegible] on [illegible] rather than [illegible] yesterday's [illegible] by central banks to sell the US dollar. ICI, with first quarter trading figures due tomorrow, edged higher. There was a scattering of modest gains among the high street retailers which continued to respond to the unexpected improvement in sales volume in March reported this week by the Confederation of British Industries.

Confusion on Saatchi volume

TRADING volume in Saatchi & Saatchi ballooned to 101m shares, of which 90m was accounted for by Hoare Govett bringing together a seller and buyer of 45m. The Seaq ticker indicated that the transaction price was 19p. Saatchi shares firmed ½ to 20½p.

The level of business drew attention to a 9.1 per cent stake held by a group including ESL Partners, a Dallas-based finance house, and Mr Lawrence Tisch, the chief executive of CBS, the US media company. This group underwrote part of Saatchi's rights issue, which was completed last week.

Since the rights issue was not registered under US securities laws, ESL (which had a large block of Europreference stock) has entered into a private agreement with Saatchi to buy [illegible] shares [illegible] the [illegible] price of 10p. In addition, on Monday [illegible] group acquired 90.1m Saatchi [illegible] in [illegible] for 25.8m redeemable preference shares.

In spite of much speculation to the contrary, traders and analysts close to the company concluded that the 45m-share block and ESL's agreement were unrelated. With over 1½bn Saatchi shares now in issue, more high levels of turnover are likely.

Building news

There were three big developments in the building sector: the unexpected £162.4m rights issue from Taylor Woodrow, a steep decline in profits at Tarmac, and news that Beazer, the construction and aggregates group, plans to spin off its UK and European businesses.

Taylor Woodrow's rights issue, a one-for-four at 200p, came as a surprise to the market, which responded by marking the shares down to 239p. After the initial reaction, the stock staged a rally, eventually closing only 2 off at 251p. Specialists said institutions had indicated they would support the issue because Taylor [illegible]row is seen to be one [illegible] best-managed companies in the construction area.

Tarmac's preliminary profits – £190.7m against £377m – were in line with expectations but did only minimal damage [illegible] the [illegible] price. [illegible] did hurt the stock, however, was a gloomy post-figures meeting with analysts, who were told that the first half of the current year had begun badly in both the UK and the US.

Big profits downgrades were instigated, with Panmure Gordon cutting its current year number from £190m to £125m. Tarmac shares were heavily traded (9.5m) and closed 16 off at 229p.

Beazer settled 4 higher at 185p on 2.5m, with specialists quick to point out the company's 20 per cent market outperformance over the last month, 68 per cent over the last three months and 13 per cent over the last year.

BET upgraded

Business services group BET was driven higher by two reports yesterday. The one that could be confirmed was that UBS Phillips & Drew had upgraded the stock to a trading buy.

The broker said that with the likely sale of its Biffa waste management operation the dividend could be held and investors should buy for the high yield. The second story suggested that a buyer had already been found for Biffa.

Mr Bob Carpenter of Klein[illegible] Benson had expected the [illegible] to recover [illegible] buyers were drawn by the [illegible] generous return for a F[illegible] Index stock. BET shares rose to 169p before ending 7 ahead on balance at 167p on turnover of 2.2m shares.

Cannon Street up

The refinancing operation proposed by Cannon Street Investments (CSI), the con[illegible] received an [illegible]whelming vote of approval and the shares responded strongly. Analysts backed the judgment, saying the raising of £46.7m net through a [illegible] issue and placing of convertible preference stock seemed to be a very sensible move.

It removes a problem, they said, by transforming gearing from 400 per cent to 82 per cent. CSI annual profits were lower, as expected, but the dividend distribution was maintained. The shares closed at a 1991 high of 124p, up 18.

SmithKline Beecham continued to retreat on light profit-taking, not helped by Nikko Securities' conclusion that investors had done enough switching from Glaxo. The former slipped 5 to 817p and Glaxo added 4 at 1076p. Before yesterday's fall, SmithKline had gained more than 10 per cent in a month, making it the fourth best performer in the FT-SE 100 over that period.

Fisons, down 5 at 469p, also felt the force of profit-takers in spite of news that Merck, the world's biggest [illegible], had ended research on a potential rival to Fisons' asthma [illegible] ing yesterday, Merck announced the abandonment of Venzair, a drug it had once [illegible] become [illegible] line therapy for asthma.

The market has been concerned that Fisons was vulnerable [illegible] new developments in the field. "Venzair would certainly have worried Fisons," said one analyst.

The prospect of first-quarter figures tomorrow from ICI continued to unsettle trading in the stock. The price slipped 5 in early trading, recovered its composure to peak at 1089p before easing once again. It ended at 1083p, up just 3 on the day. Turnover was a solid 1.5m shares.

The bullish sentiment in the oil sector – a rising crude oil price coupled with the recent strength of the dollar – continued to drive oil shares higher. Aiding the latest upward move by the oils was a sharp improvement in first-quarter earnings at Mobil, the US oil group.

The heaviest turnover in the sector, 5m shares, was in BP, which moved up 5 to 354p, closely followed by Shell, 4.9m, which climbed 9½ to 522½p.

The latter was boosted by the oil team at Hoare Govett, whose latest Oil Monthly reiterated its positive stance on the sector, and focused especially on Shell, which it views as the prime beneficiary of record downstream [illegible] in the Far East.

The Water [illegible] came under another barrage [illegible]ing pressure and closed aro[illegible] the [illegible] lowest, down [illegible] at £2945, as more institutions, both in London and abroad, sold their holdings or unravelled [illegible] units.

"This market is still extremely vulnerable and we expect this [illegible] least up until the local elections," said one trader, in a reference to the Labour party's policy [illegible] renationalising the [illegible] industry if it wins the next general election.

The electricity companies, on the other hand, responded to positive recommendations from investment analysts, with Manweb and South Wales heavily bought after being highlighted by one of the big US investment houses. Manweb advanced 13 to 248p and South Wales 10 to 240p.

A late downward move by British Steel was attributed to a profits downgrading by Smith New Court. The shares held steady until the last hour of trading, when they turned [illegible] to close 2¼ down at 135p.

J Sainsbury recovered from an early loss to close a penny better on balance at 364p as the market pondered the company's decision to redeem a £150m convertible bond into preference [illegible] the share price had already prompted some bond holders to convert and so the announce[illegible] by Sainsbury did not [illegible] the market completely by surprise.

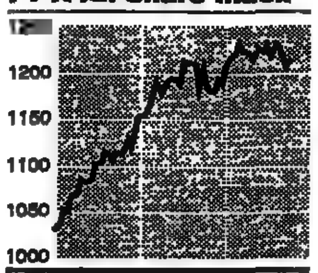
Hammerson continued to benefit from last [illegible] figures, subsequent buy recommendations from analysts and presentations to institutions. The shares were 16 stronger at one point before closing a net 9 to the good at 639p. Volume was above average for the stock at 545,000.

McKechnie, the industrial components group, slipped 6 to 291p as analysts adjusted full year profits estimates in the wake of lower first-half revenue. The setback was no surprise but researchers still erred on the side of caution, with Mr Matthew Sutherland of County NatWest moving to £23m from £25m.

Bad sentiment from Monday's profits downgradings continued to unsettle Gestetner, the office equipment and photographic products group, and the close was down 6 further at 207p.

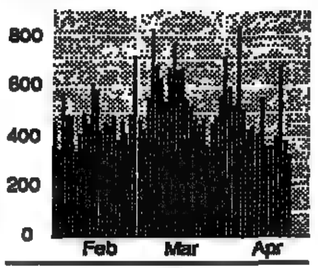
■ Other Market statistics, including the FT-Actuaries share index, Page 22

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (171).

BRITISH FUNDS (4) Treas. 8pc '91, Treas. 8pc '92, Treas. I-L '92, Do. I-L 2pc '96, AMERICANS (22) Am. Cyanamid, Ameritech, Bankers NY, Bellsouth, Bowater, Contl. Bank, Dana, Data Gen., Dun & Bradstreet, Eaton, FPL, Fluor, Honeywell, Houston Inds., Ingersoll-Rand, Lockheed, Louisiana Land, Pall, Pennzoil, Rockwell, Sun, Waste Mangemt., Whirlpool, CANADIANS (16) BC Gas, Bk. Montreal, Bk. Nova [illegible], Central Capital A, Dertan Inds., [illegible] Bay, Imperial Oil, Inco, Royal [illegible] Tor.-Dom. Bk., BANKS (9) Dai Ichi, Espirito Santo, Kyowa, Mitsubishi, Mitsui Tst. & Bnkg., Nat. Aust., Sumitomo, Toyo Tst. & Bnkg., Yasuda Tst. & Bk., BREWERS (4) Fosters, Greene King, [illegible] Martin A, S[illegible], BUILDINGS (4) [illegible] CMW, [illegible], CHEMICALS (4) [illegible], Bayer, Engelhard, Thorgar Bardex, [illegible] (10) Alexon, Ashley (Laura), Cantors, [illegible] Myer, Courts, Gabicci, Helene, Heritage, OS, Ritz Design, ELECTRICALS (10) CML Micro., Fujitsu, Hewlett-Packard, Learmonth & Burchett, Nth. Telecom, Penny & Giles, Pifco, Do. A, Sony, TDK, ELECTRICITY (4) Eastern, Manweb, Seeboard, Sth. Western, FOODS (7) Assoc. Fisheries, Farepak, Goodman Fielder Wattie, Kemp (P.E.), Morrison (Wm) Supermarkets, Do. 5¼pc Pf., Nestle, INDUSTRIALS [illegible] B.H. Prop., BSS, Betterware, Bluebird Toys, Cannon St. Invs., China Light, Davis (Godfrey), Dolphin Pack., Dover, Elan, Faber Prest, Fletcher Challenge, Flogas, Handley-Walker, Nobo, Pacific Dunlop, Polymark Pfd. A, Powell Duffryn, Russell (A), Securicor A, Security Servs., Stocklake, INSURANCE (3) Alex. & Alex. [illegible] Nat., Usille, LEISURE (5) Cam[illegible], Classic Th'breds., Ex Lands, Hi-Tec, Metro Radio, Scot. TV, PAPERS (3) CIA, Lawson Mardon, TMD Adv., PROPERTY (2) Cap. & Counties, Regalian, TEXTILES (4) Lamont, Leeds, Toray, Yorklyde, TRANSPORT (5) CSX, Dawsongroup, Mayne Nickless, TRUSTS (23) Abingworth, Archimedes, Baillie Gifford Japan, Biotech Pf., British Assets 6pc Ln '[illegible] Inc., Gartmore Amer., Genesis [illegible] Pfg., Greenfriar Wrrnts., Jakarta Fd., Korea-Europe, London Wrrnts., Malaysia Cap. Select, Malaysian [illegible] Wrrnts., River & Merc. [illegible] Inc., Scot. Asian Inv. Pfg., Scot. [illegible] Do. A, Singapore SESDAQ, Sth. East Asian Wrrnts., Thai Euro Fd. Pfg., Tor, Westpool, OILS (10) Chevron, Exxon, Hamilton, Occidental, Ohio Res., Oliver Res., Ranger, Royal Dutch, Shell Trans., Woodside, PLANTATIONS (1) Highlands, MINES (5) Aztec Expln., CRA, Gencor, Northern Plat., Spargos.

NEW LOWS [illegible]

BREWERS [illegible]rrydown Wine, STORES (2) Cantors, [illegible] Group, ELECTRICALS (2) Sema, Synapse Comp., INDUSTRIALS (2) African Lakes, Platon, LEISURE (1) Tomorrows Leis., NEWSPAPERS (1) Gardner (D.C.), PROPERTY (1) Rosehaugh, TEXTILES (1) Youghal, TRUSTS (2) Drayton Eng. & Intl., Do. Wrrnts., OILS (3) Cairn Energy, Clyde Petlm., Tullow, MINES (1) Harmony.

FINANCIAL TIMES STOCK INDICES

	Apr 23	Apr 22	Apr 19	Apr 18	Apr 17	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	84.90	[illegible]	[illegible]	84.82	84.92	75.46	[illegible]	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed [illegible]	94.26	94.34	94.62	94.61	94.66	85.00	94.84 (5/4)	90.59 (2/1)	105.4 (28/11/47)	50.53 [illegible]
Ordinary Share ●	1985.8	1954.4	[illegible]	[illegible]	2001.4	[illegible]	2014.5 (5/4)	[illegible] (16/1)	2014.5 (5/4/91)	[illegible] (26/6/40)
Gold Mines	[illegible]	142.5	140.2	139.4	139.0	232.0	179.7 (14/1)	[illegible]	734.7 [illegible]	[illegible] (26/10/71)
FT-SE 100 Share	[illegible]	2490.8	2520.1	[illegible]	2545.0	[illegible]	2545.3 (5/4)	2054.8 (16/1)	2545.3 (5/4/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1163.98	1156.13	[illegible]	[illegible]	1172.46	-	1178.39 (15/4)	938.62 (16/1)	1178.39 (15/4/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.91	4.93	4.88	4.82	4.82	[illegible]				
●Earning Yld %(full)	[illegible]	[illegible]	8.72	8.71	[illegible]	11.97				
●P/E Ratio(Net)(☆)	[illegible]	[illegible]	[illegible]	14.10	14.12	[illegible]				
SEAQ Bargns 4.45pm	[illegible]	[illegible]	[illegible]	[illegible]	26,692	20,909				
Equity Turnover(£m)†	-	[illegible]	[illegible]	[illegible]	946.56	1026.85				
Equity Bargains†	-	[illegible]	28,267	[illegible]	29,186	25,219				
Shares Traded (ml)†	-	[illegible]	[illegible]	690.3	403.8	[illegible]				

Basis 100 Govt. Secs 15/10/26, Fixed Int. [illegible], Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 13.42

Ordinary Share Index, Hourly changes — Day's High 1987.3 — Day's Low [illegible]

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1952.4	1959.0	1964.2	1965.2	1966.0	1968.8	1966.1	1965.0	1966.8

FT-SE 100, Hourly changes — Day's High [illegible] — Day's Low [illegible]

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2489.3	2498.6	2504.5	2505.4	2506.9	2506.5	2506.2	2506.6	2506.5

FT-SE Eurotrack 200, Hourly changes — Day's High 1167.59 — Day's Low 1160.86

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
[illegible]	1161.70	[illegible]	[illegible]	[illegible]	1164.61	1166.76

GILT EDGED ACTIVITY

Indices*	Apr 22	Apr 19
Gilt Edged Bargains	93.3	[illegible]
5 – Day average	90.5	89.0

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
ADT	817	[illegible]	-2
ASDA Group	6,900	[illegible]	+2½
[illegible]	1,700	276	+3
[illegible]	2,000	116	+2
Allied-Lyons	1,500	525	-1
Amstrad	2,700	76	+3
Anglian Water	463	283	-1
Argos	2,000	290	+1
Argyll Group	2,800	303	-3
Ass. Brit. Foods	97	511	+2
BAA	1,300	421	-1
BAT Inds.	1,200	696	+2
Dalgety	167	390	+3
De La Rue	1,600	387	+4
Dixons	185	198	+7
ECC Group	646	425	
Eastern Elect.	1,100	192	+3
East Midland Elect.	657	200	+1
Enterprise Oil	454	581	+6
Eurotunnel Units	99	485	+4
FKI	1,300	66	+1
Ferranti	233	[illegible]	
Fisons	2,000	469	-5
Gen. Accident	514	597	
Manpower	2,000	73½	+[illegible]
Manweb	1,500	248	+[illegible]
Marks & Spencer	[illegible]	[illegible]	+4
Maxwell Comms.	[illegible]	[illegible]	
Midland Bank	1,300	221	
Midlands Elect.	570	198	+2
NatWest Bank	4,200	330	+1
National Power	6,200	100½	+1
Next	1,800	25½	
North West Water	[illegible]	298	
Northern Elect.	642	205	+4
Northern Foods	59	445	+2
Slough Ests.	479	257	+4
Smith (W.H.) A	1,000	370	-8
Smith & Nephew	2,900	121½	+1
SmKl Beecham	1,300	817	-5
SmKl Beecham Uts.	434	3880	-20
Smiths Inds.	1,400	271	+1
Southern Elect.	188	203½	+2½
[illegible]	327	240	+10
South Wa[illegible]	375	391	-3
South West. Elect.	101	213	+4
[illegible] Water	438	288	-1
[illegible]	...	...	...
British Land	390	+5	
BP	5,000	354	+5
British Steel	4,100	[illegible]	-2½
British Telecom	[illegible]	[illegible]	+1
Bunzl	124	80	
Burmah Castrol	107	673	
Burton	1,300	96	[illegible]
Cable & Wire.	987	[illegible]	+4
Cadburys	2,200	360	-6
Calor Group	203	[illegible]	-2
Carlton Comms.	213	445	[illegible]
Coats Viyella	313	[illegible]	-2
Comm. Union	271	[illegible]	+1
Cookson	807	[illegible]	+4
Courtaulds	820	[illegible]	[illegible]
ICI	[illegible]	[illegible]	
Inchcape	404	529	-3
Kingfisher	1,[illegible]	[illegible]	
Ladbroke	785	279	+4
Land Securities	1[illegible]	636	+4
Laporte	11	671	+1
Legal & General	442	[illegible]	[illegible]
Lloyds Abbey	[illegible]	[illegible]	-4
Lloyds Bank	2,400	[illegible]	-2
LASMO	673	[illegible]	
[illegible] Elect.	[illegible]	196	+2
Lonrho	3,000	265	
Lucas	1,300	162	
MB Caradon	492	220	
MEPC	379	[illegible]	+4
Reuters	242	895	-6
Rolls Royce	5,400	174	
Ryl Bk Scotland	540	[illegible]	
Royal Insurance	1,800	456	+6
Saatchi	[illegible]	20	+½
Sainsbury	3,700	[illegible]	+1
Scottish & New.	2,200	[illegible]	
Sears	1,900	91	
Sedgwick	488	[illegible]	
Seeboard	413	230	+6
Severn Trent Water	1,100	280	
Shell Transport	4,900	522½	+9½
Siebe	798	426	
United Biscuits	417	382	+1
Utd. Newspapers	1,000	373	+1
[illegible] Package Uts.	1	£2945	-28
[illegible]	470	380	
Welsh Water	315	332	-2
Wessex Water	957	358	+1
Whitbread 'A'	1,400	481	+1
Wiggins Teape	1,100	227	+4
Williams Hldgs.	1,600	282	
Willis Corroon	188	314	-6
Wimpey	694	212	-2
Yorkshire Elect.	307	216	+2
Yorkshire Water	886	311	-7

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

EQUITY FUTURES AND OPTIONS TRADING

THE OPTIONS market was subdued yesterday as dealers waited for an announcement from the London Traded Options Market and the London International Financial Futures Exchange on the merger of the two markets.

None was immediately forthcoming, but the market was alive with speculation about its future. Floor dealers were resigned to some upheaval in the depressed traded options market, but reports of the plan to move all equity options on to a screen-based system still caused surprise.

Turnover remained depressed on the options market [illegible] total business just 24,467 contracts. Analysts reckon LTOM needs 30,000 contracts traded per day to break even.

Shell July 550 call options were actively traded as the shares advanced following strong figures by US oil majors. A total of [illegible] options changed hands, equivalent to 2.2m shares.

Marks and Spencer [illegible] 1,547, mostly April 260 calls. Hanson was boosted by activity in May 220 puts.

On the futures market, [illegible] June FT-SE 100 index [illegible] finished 21 points up at 2,527. But its premium to the spot index ended at just 21 [illegible], against the 30 points brokers estimate is necessary to take account of futures dividend [illegible] and [illegible] cost.

LONDON SHARE SERVICE

BRITISH FUNDS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
99⅝	98[illegible]	Treas 10pc Cv '91 ‡‡	99⅝	.....	10.04	11.60
99[illegible]	99[illegible]	Exch. 11pc 1991	99[illegible]	.....	11.01	[illegible]
98[illegible]	96[illegible]	Treas. 8pc 1991	98[illegible]	+[illegible]	8.15	[illegible]
101[illegible]	100[illegible]	Treas 12¾pc 1992‡‡	101[illegible]	.....	12.5[illegible]	[illegible]
99[illegible]	97[illegible]	Treas 10pc 1992	99[illegible]	.....	10.08	[illegible]
97[illegible]	95[illegible]	Treas. 8pc 1992 ‡‡	97[illegible]	.....	8.21	[illegible]
99[illegible]	98[illegible]	Treas 10½pc Cv 1992‡‡	99[illegible]	.....	10.53	[illegible]
94[illegible]	91[illegible]	Treas. 3pc 1992	94[illegible]	+[illegible]	3.19	[illegible]
102[illegible]	100[illegible]	Exch. 12¼pc '92	101[illegible]	.....	12.02	[illegible]
104[illegible]	102[illegible]	Exch 13½pc 1992	103[illegible]	.....	13.02	[illegible]
96[illegible]	94	Treas 8¾pc 1993	96[illegible]	.....	8.5[illegible]	[illegible]
99[illegible]	97[illegible]	Treas 10pc 1993‡‡	99[illegible]	.....	10.07	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
		Five to Fifteen Years				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
122[illegible]	117	Exch 15pc 1997	120[illegible]	.....	12.49	10.63
98[illegible]	93[illegible]	Exch. 9¾pc 1998	97[illegible]	+[illegible]	10.03	10.32
85[illegible]	80[illegible]	Treas 6¾pc 1995-98‡‡	85[illegible]	+[illegible]	7.92	9.71
127[illegible]	121[illegible]	Treas. 15½pc '98‡‡	125[illegible]	+[illegible]	12.36	10.50
109[illegible]	104[illegible]	Exch. 12pc 1998	108[illegible]	.....	11.10	10.43
97[illegible]	92[illegible]	Treas 9½pc 1999‡‡	96[illegible]	–[illegible]	9.85	10.18
111[illegible]	105[illegible]	Exch. 12¼pc 1999	109[illegible]	+[illegible]	11.17	10.42
102[illegible]	97[illegible]	Treas. 10½pc 1999	101[illegible]	+[illegible]	10.39	[illegible]
101[illegible]	95[illegible]	Conversion 10¼pc 1999	99[illegible]	+[illegible]	10.29	[illegible]
94[illegible]	89[illegible]	Conversion 9pc 2000‡‡	93[illegible]	+[illegible]	9.63	[illegible]
116[illegible]	110[illegible]	Treas. 13pc 2000	114[illegible]	+[illegible]	11.34	[illegible]
116[illegible]	113[illegible]	Do. 13pc 2000 A	114[illegible]	+[illegible]	11.35	[illegible]
100[illegible]	94[illegible]	Treas 10pc 2001	98[illegible]	+[illegible]	10.14	10.22
118[illegible]	113[illegible]	Treas. 14pc '98-01	116[illegible]	+[illegible]	12.00	10.62

BRITISH FUNDS—Contd

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
98⅝	92[illegible]	Treas 9¾pc 2002	96⅝	+[illegible]	10.06	10.24
100[illegible]	94[illegible]	Treas 10pc 2003	98⅝	+[illegible]	10.14	10.20
108¼	102	Treas. 11¼pc 2001-04	106⅝	+[illegible]	10.81	10.44
58[illegible]	53[illegible]	Funding 3½pc '99-04	57[illegible]	+[illegible]	6.09	9.06
		Over Fifteen Years				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
		Undated				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
		Index-Linked				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
137[illegible]	133	Do. 2½pc '03	(78.8)	136[illegible]	3.89	4.15
139[illegible]	135	Do. 2pc '06	(69.5)	138[illegible]	3.97	4.18
128[illegible]	124[illegible]	Do. 2½pc '09	(78.8)	127[illegible]	3.98	4.17
132[illegible]	128[illegible]	Do. 2½pc '11	(74.6)	132[illegible]	3.99	4.17
109[illegible]	105[illegible]	Do. 2½pc '13	(89.2)	109[illegible]	3.98	4.14
117[illegible]	113[illegible]	Do. 2½pc '16	(81.6)	116[illegible]	3.95	4.11
113[illegible]	109[illegible]	Do. 2½pc '20	(83.0)	113[illegible]	3.93	4.07
95[illegible]	91[illegible]	Do. 2½pc '24‡‡	(97.7)	94[illegible]	3.88	4.01

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for August 1990: 128.1 and for March 1991: 131.4.

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
102	95[illegible]	African Dv Bk 11¼Ln 2010	100[illegible]	+[illegible]	11.06	11.04
97[illegible]	91[illegible]	Asian Dev Bk 10¼pcLn2009	96[illegible]	+[illegible]	10.66	10.73
112[illegible]	105[illegible]	Int-Am Dev Bk 12½pc 2003	110[illegible]	+[illegible]	11.31	10.88
93[illegible]	86[illegible]	Do. 9¼pcLn 2015	[illegible]	+[illegible]	10.70	10.7[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

53	53	Met. Wtr. 3pc 'B'	[illegible]	.....	5.77	9.70

FOREIGN BONDS & RAILS

1991 High	1991 Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
50	50	Greek 7pc Ass.	50	.....	3.50	f7.00
50	50	Do. 6pc 28 Stb. Ass.	50	.....	3	f6.00
50	50	Do 4pc Mixed Ass.	50	.....	2	f4.00
55	55	Hung. '24 Ass.	55	.....	2.75	f3.57
128	120	Hydro Quebec 15pc 2011	125[illegible]	+[illegible]	12.89	11.67

Continued on next page

APPOINTMENTS

NatWest main board director

Mr Derek Wanless *(pictured)*, chief [illegible] UK financial services, has been appointed to the main board of NATIONAL WESTMINSTER BANK from May 1. He joined NatWest in 1970 and [illegible] 43 will be the youngest executive board director in [illegible] bank's history. He [illegible] director of National Westminster Home Loans, National Westminster Insur[illegible] Services, NatWest Personal Financial Management, and NatWest Stockbrokers; [illegible] director [illegible] Mastercard International Inc, and [illegible] chairman [illegible] Eurocard International.

■ Mr Geoff Clinton has been appointed general manager of ZED INSTRUMENTS. He joined last year as technical director, and assumes full control when Dr Peter Zollman, managing director, relinquishes that post in August to become a consultant to the company which makes laser engraving systems for flexography.

■ UBM OVERSEAS, Bristol, has appointed Mr Nicholas Duggan as financial director, and Mr Nigel Turner as trading director.

■ CHARTERHOUSE has brought its international development capital activities into Charterhouse Development Capital. Senior directors Mr Nigel Hamway, Mr Alex Reese and Mr Roger Pilgrim move from Charterhouse Bank to Charterhouse Development Capital.

■ INCHCAPE has appointed Mr Huw Pritchard as its European development director, motors. He was with General Motors (Europe) in Zurich.

■ ENSKILDA SECURITIES, London, a subsidiary of Skandinaviska Enskilda Banken, has appointed Mr Bert Wiegman as joint managing director of Enskilda Ventures. He will also be deputy chairman of Enskilda Securities' European private equity capital arm, European Acquisition Capital. Mr Wiegman was managing director of Security Pacific Hoare Govett Equity Ventures.

■ Mr Tim Goode has been appointed director, treasury and capital markets, at THE ROYAL BANK OF SCOTLAND. He will succeed Mr John Mather who retires early next year. Mr Goode is currently with the Midland Bank Group, and joins the Royal Bank in London in July.

■ Mr Bryan J. McGinty has been appointed vice president, fasteners and distribution, Europe, for BLACK & DECKER CORPORATION, fastening systems group. He also becomes managing director of Tucker Fasteners, and will be based in Birmingham. He was president, Europe, with ACCO European Cables Controls Group.

■ ROYAL INSURANCE ASSET MANAGEMENT has appointed Mr Michael Taylor as associate director, UK equities. He was with Hill Samuel Investment Management.

■ Mr Richard Mussett has been appointed marketing director of LOVELL CONSTRUCTION. He joins from John Laing.

■ Mr Neil R. Hannah has been appointed managing director of GEC METERS from May 1. He was managing director, UK metering, at Landis & Gyr.

■ LOMBARD ODIER has appointed Mr Gordon Ross to the new post of assistant director of fixed interest. He was with Manufacturers Hanover, London.

Joining Thames TV board

THAMES TELEVISION has appointed Mr Jim Fifield *(pictured)* to the board. He is president and chief executive officer of Thorn-EMI. He becomes the third representative of Thorn-EMI on the Thames TV board, following Thorn-EMI's acquisition of the 28% stake in Thames previously held by BET, to make a total holding of 58.8%. Mr Fifield is based at EMI Music headquarters in New York.

■ LINKLATERS & PAINES has asked us to point out that when Mr James Wyness becomes senior partner in the summer he will initially share the post with the present senior partner Mr Mark Sheldon while the latter carries out official duties with The Law Society.

LONDON SHARE SERVICE

AMERICANS

1991 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
30¼	20¾	Abbott Laboratories	30¼	+⅛	$1.00	–	2.0
363p	257p	Allegheny & W 1c.	295p	+3	30c	–	6.0
972p	667p	Amdahl 5c.	953p	–10	10c	–	0.6
34	25¼	Amer. Cyanamid $5	34	+¼	$1.50	–	2.6
17¼	9⅞	Amer. Express 60c.	16⅛	–⅛	92c	–	3.4
21½	15¼	American T & T. $1	21⅛	–⅛	$1.32	–	3.6
38⅝	32½	Ameritech $1	38⅝	+1	$3.16	–	4.8
273p	167p	Asiamerica Equities	299p	.....	–	–	–
22⅛	12⅛	BankAmerica $1⅛	22⅛	..	$1.20	–	3.2
28⅝	20⅛	Bankers N.Y. $1	28⅛	+⅛	$1.52	–	10.0
29⅝	24⅛	Bell Atlantic $1	28⅝	+⅛	$2.36	–	4.8
31¼	25	BellSouth Corp.	31¼	+1¼	$2.68	–	5.1
8½	6⅞	Bethlehem Steel $8	8⅛	–⅛	40c	–	
1536p	1046p	Bowater Inc.	1536p	+11	$1.20	–	
8⅝	4½	Brunswick 75c.	8½	–⅛	44c	–	
50¼	37⅛	CPC Intnl. 25c.	49⅛	–⅛	$2.00	–	
839p	420p	California Engy	839p	...	–	–	–
49⅛	28¼	Campbell Soup 15c.	49¼	...	$1.16	–	1.4
11⅛	5⅛	Chase Manhattan $12½	11⅛	–⅛	$1.20	–	6.4
8⅝	5½	Chrysler $6¼	8⅛	–⅛	60c	–	4.4
9⅛	5⅛	Citicorp $1	9⅛	–⅛	$1.00	–	6.5
48½	34⅛	Colgate-Palmolive $1	48	–⅛	$2.12	–	2.6
805p	436p	Cont'l Bank Corp $4	885p	+10	$1.00	–	7.3
85p	45p	Corporate Data Sce	85p	......	–	–	–
17⅛	13⅛	Dana Corp. $1	17⅛	+⅛	$1.60	–	5.3
925p	[illegible]	Data General	925p	+35	–	–	–
28	[illegible]	Dun & Bradstreet $1	28	+⅛	$2.16	–	4.6
34½	[illegible]	Eaton Corpn. 50c.	34½	+⅛	$2.20	–	–
7½	[illegible]	Echlin Inc.	6⅛	–⅛	70c	–	6.1
[illegible]	14⅛	FPL Group 1c.	17⅛	+⅛	$2.36	–	7.9
[illegible]	[illegible]	Fluor Corp 62½c.	28⅛	+⅛	32c	–	0.7
[illegible]	[illegible]	Ford Motor $1	19⅛	–⅛	$1.60	–	3.1
[illegible]	[illegible]	Gen. Elect. 63c.	45¼	–⅛	$2.04	–	2.8
439p	270p	General Host Corp $1	405p	+4	34c	–	5.0
[illegible]	29⅝	Gillette $1	42¼	–⅛	$1.24	–	1.7
[illegible]	35p	Gt American Bank $1	41p	+1	–	–	–
[illegible]	12⅞	Greyhound Dial $1½	20¼	–⅛	$1.32	–	4.1

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ELECTRICITY

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LONDON SHARE SERVICE

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LEISURE

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
415	155	AirTours 10p	399	–1	8.25	3.1	2.8	15.7
113	73	Allied Leis. 5p	102		4.75	3.5	6.4	7.0
246	185	Anglia TV	196	–1	9.26	♦	6.3	♦
31	16	Avesco 1p	26	+1	1.5	3.9	7.7	3.6
9	4½	BCE Hldgs 5p	5½		–			–
173	123	Barr & W.A.T. 'A'	160		9.75	1.6	8.1	10.4
685	425	Boosey & Hawkes	680		16.4	2.7	3.2	13.6
39½	24	Border T V	39½		2.1	1.1	7.1	17.7
88	45½	Brent Walker 10p	66		15.0	6.9	–	0.5
28	17	Do 6pc Cv Cm Rd Pf £1	21		6.0	–	38.1	–
55	43	Buckingham Int'l. 10p	49		2.1	♦	5.7	♦
313	183	Campari Int. 20p	313	+3	11.0	2.9	4.7	8.6
208	134	Capital Radio 2½p	203	–1	5.25	2.9	3.4	13.3
503	350	Carlton Cmtns 5p	448	+3	14.1	2.9	4.2	10.7
81	61	Do. 6.5p Prf 5p	76	+1	6.5	–	11.4	–
253	168	Castle Comms. 5p	243		8.5	1.7	4.7	16.3
575	480	Central ITV	570		28.5	2.6	6.7	7.6
142	120	Chiltern Radio 10p	138		4.8	2.6	4.6	10.6
89	39	Chrysalis	80		s2.0	–	3.3	–
69	39½	Cityvision 5p	52		1.0	7.0	2.6	6.9
5½	3	Classic Th'breds Ir0 20	5½	+½	–	–	–	–
468	361	Compass Group 5p	443	–2	10.35	2.8	3.1	15.5
1210	908	Euro Disney Fr10	1173	+5	–	–	–	–
30	13	European Leis. Ir25p	23		1.7	2.2	10.1	3.8
36	22	Ex Lands 10p	36	+3	–	–	–	–
47	21½	Expedier 20p	41	–1	20.5	–	1.6	9.1
563	405	Fairline Boats 10p	555		21.0	4.1	5.0	6.4
276	188	First Leisure	266	–1	5.05	2.6	2.5	18.1
253	195	GWR Group 20p	238		6.0	3.2	3.4	12.5
75	68	Grampian TVA 10p	72		3.5	2.9	6.5	7.0
8	6	Greenwich Comm. 1p	7		–	–	–	–
63	36	HTV Ord.	51		3.75	♦	9.8	♦
125	55	Hi-Tec Sports	125	+7	4.5	2.5	4.8	10.4
4½	3	Int'l Media Comm. 1p	3½		–	–	–	–
49	30	Intl. Resort Hldgs.	40		‡a3.2	2.5	‡	3.4
75	49	Invicta Sound 10p	72½		1.0	4.2	1.8	22.8
50	22	Kunick 10p	44½		2.0	2.3	6.0	8.8
88	53	Do. 8¼pc Pf. 5p	82	–1	8.25	–	13.4	–
96	80	LWT (Hldgs) 13.375p Prf 5p	94		†3.94	–	5.6	–
353	289	Marina Devs. 50p	344		12.0	1.8	4.7	15.9
179	124	Metro Radio Grp 5p	178		5.0	3.0	3.7	12.0

PROPERTY

TRANSPORT—Contd

INVESTMENT TRUST

INVESTMENT TRUST—Contd

WATER

OIL AND GAS

MINES—Contd

Tins

Miscellaneous

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

FINANCE, LAND, ETC

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1	490		Helton Hldgs	40
Finlay Pkg. 5p	38		IRG	155
Holt (Jos) 25p	1600		United Drug	160

IRISH

Cap. 8¼% Ln. 1991	£99¾	
9pc Cap Ln. 1996	£98¼	–⅛
Fin. 13% 97/02	£111	
Arnotts	160	

TRADITIONAL OPTIONS

3-month call rates

Industrials

Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	60
BOC Grp	32
BTR	33
Barclays	38
Blue Circle	24
Boots	30
Bowaters	53
Brit Aerospace	54
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons.	45
Comm Union	44
Courtaulds	32
Eurotunnel	59
FKI	6
FNFC	20
Gen Accident	48
GEC	17
Glaxo	80
Grand Met	62
Guardian	19
GKN	31
Hanson	19
Hawker Sidd.	39
ICI	80
Ladbroke	22
Legal & Gen	36
Lex Service	20
Lloyds Bank	30
Lucas Inds	13
Marks & Spencer	21
Midland Bk	18
Nat West Bk	27
P & O Dfd	51
Racal Elect	18
RHM	28
Rank Org Ord.	63
Ratners	17
Reed Intel.	36
Sears	6½
SmKl. Beecham A	58
TI	45
TSB	12
Tesco	21
Thorn EMI	64
Trust Houses	23
T&N	15
Unilever	60
Vickers	19
Wellcome	40

Property

Brit Land	30
Control Secs.	3
Land Securities	45
MEPC	40
Mountleigh	8½

Oils

Aviva Petm.	3
Brit Petroleum	28
Burmah Castrol	49
Country Petm.	10
Gaelic Res.	1
Premier	6
Shell	41
Tuskar Res.	2
Ultramar	30

Mines

Lonrho	21
RTZ	40

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

هكذا من الأصل

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

[illegible]

Marlborough Fund Managers Ltd (1630)F
57 Victoria Square, Bolton, BL1 1LA 0204 364842

	Init Chrge	Bid Price	Offer Price	+ or -	Yield Gr's
Managed Tst	5	48.07 48.36	51.44	......	5.10

Martin Currie Unit Trusts Ltd (0905)H
48 Melville St, Edinburgh EH3 7HF Dlng 031-220 4924

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Far East (Pacific)	5¼	102.6	102.6	108.9	+1.5	1.05
Income & Growth	5¼	62.82	62.82	66.68	-0.28	4.74
European (z)	5¼	54.38	54.38	57.72	-0.23	1.17
Nth American (z)	5¼	39.46	39.46	41.88	+0.14	1.25
Intl Growth	5¼	66.46	67.84d	72.01	+0.35	0.72
UK Growth	5¼	56.19	56.19	59.64	-0.22	1.95
Intl Income	5¼	48.28	48.72d	51.71	-0.41	7.05
High Yield	5¼	45.70	46.29d	49.14	-0.3	7.39
Charities	5¼	92.56	93.86	99.63	-0.31	5.50
Japan	5¼	42.90	42.90d	45.54	+0.36	—

Matheson Unit Trust Managers Ltd (1200)H
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries: 0277 227300 Dealing: 0277 261010

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Growth	6	67.99	69.39d	74.21	......	3.33
UK High Income	6	34.82	35.37d	37.83	-0.07	5.34

NFU Mutual Unit Mngrs Ltd (1400)F
Admin: 5 Rayleigh Road, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 [illegible]

	Init Chrge	Bid Price	Offer Price	Offer Price	+ or -	Yield Gr's
Avon Equity	6	91.84	93.40	99.36	+0.[illegible]	[illegible]

NM Unit Trust Mngrs (1200)H
The Bilton Centre, North Harbour, [illegible]
Enquiries: 0705 372222 Deal[illegible]

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

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Enquiries: 0277 227300 Dealing 0277 261010

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Equity Dist	6½	424.2	435.9	461.3	+1.1	3.42
Equity Acc	6½	590.3	606.7	642.0	+1.5	3.42
Fixed Int Dist	6½	113.6	116.9	121.1	+0.1	8.37
Fixed Int Acc	6½	241.6	248.6	257.6	+0.1	8.37
UK Index Track Dist	6	98.43	100.4	106.2	+0.4	4.05
UK Index Track Acc	6	103.0	104.9	111.0	+0.4	4.05

TSB Unit Trusts (1200)H
Charlton Pl, Andover, Hants. SP10 1RE 0264 346794

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB American	6	139.89	140.86	149.85	+0.5	0.25
Do Accum	6	152.91	153.98	163.8	+0.55	0.25
TSB Brit Growth	6	73.32	74.48xd	79.23	+0.25	3.1
Do Accum	6	82.13	83.42xd	88.74	+0.27	3.1
TSB European	6	73.68	74.07	78.79	+0.47	0.9
Do Accum	6	76.36	76.76	81.65	+0.49	0.9
TSB Extra Income	6	161.96	163.96	174.42	+0.67	5.23
Do Accum	6	236.42	236.42	251.51	+0.96	5.23
TSB Smaller Cos	6	45.19	46.77xd	49.75	+0.03	2.28
Do Accum	6	47.82	49.5xd	52.65	+0.04	2.28
TSB General	6	227.7	227.7	242.23	+0.85	3.43
Do Accum	6	424.85	424.85	451.96	+1.57	3.43
TSB Premier Income	5	43.42	44.01xd	45.84	......	8.46
Do Accum	5	79.6	80.69xd	84.05	......	8.46
TSB Income	6	305.63	311.09	330.94	+1.26	4.93
Do Accum	6	568.17	578.32	615.23	+2.36	4.93
TSB Pacific	6	239.11	239.11	254.37	+1.22	0.38
Do Accum	6	248.8	248.8	264.68	+1.27	0.38
TSB International	6	400.93	400.93	426.52	+1.56	0.8
Do Accum	6	517.04	517.04	550.04	+2	0.8
TSB Nat Resources	6	[illegible]	65.85xd	70.05	+0.4	0.57
Do Accum	6	[illegible]	71.74xd	76.31	+0.5	0.57
TSB Sh'ld Opps	6	[illegible]	80.64xd	85.78	+0.99	3.01
Do Accum	6	[illegible]	97.15xd	103.35	+1.19	3.01
Environmental Inv	6	[illegible]	47.22	50.23	-0.52	1.86
Do Accum	6	[illegible]	48.72	51.82	-0.54	1.86
TSB Selector	6	[illegible]	49.0xd	52.12	+0.13	3.83

[illegible]

M & G Securities Ltd

	Bid Price	Offer Price	+ or -	Yield Gr's
Charibond	101.67	101.67	-0.1	10.61
(Accum Units)	563.68	563.68	-0.1	10.61
NAACIF Apr 16	-	43.67	----	9.36

Morgan Grenfell Unit Trust Managers Ltd
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gr's
UK Equity † Apr 23	128.6	137.5	-2.2	2.84
UK Small Co † Apr 23	521.7	562.7	+4.5	1.90
Fixed Interest † Apr 23	109.3	114.9	+0.6	7.74
US Small Co Apr 23	156.4	167.2	+8.6	0.00
Managed Apr 23	108.1	114.9	-0.4	1.25
Intl Bond Apr 23	113.9	120.1	+1.1	7.61
Japan Apr 23	77.95	82.96	+0.6	0.01
European Apr 23	85.10	91.09	-0.6	1.62
Nth American Apr 23	109.5	117.7	+6.3	1.19

Murray Johnstone UT Mngmt
Murray Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Exmt Apr 17	49.48	51.46	----	2.96
Euro Exmt Apr 17	50.63	53.17	----	2.15
Fixed Int Ex Apr 17	46.73	47.89	----	10.26
Japan Exmt Apr 17	47.76	49.67	----	0.58
Managed Ex Apr 18	45.29	47.11xd	----	4.33
SE Asia Exmt Apr 17	68.93	72.97xd	----	3.75
Sm Cos Exmt Apr 17	33.71	35.39	----	4.05
UK Eqty Ex Apr 17	42.82	44.96	----	3.87

Phillips & Drew Fund Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gr's
Small Co's Apr 2	707.1	752.[illegible]	----	4.5
Do Accum	798.8	849.4	----	4.5
Int Exmt Apr 17	173.9	177.3xd	----	2.55
UK Index Apr 2	1160.0	1183.0xd	----	4.9
Do Accum	1249.0	1273.0	----	4.9
Convertible Apr 17	94.49	97.67xd	----	7.81
World ex UK Index Apr 22	818.8	828.8	+20.0	1.86
Do Accum	818.8	828.8	+20.0	1.86
Japan Index Apr 22	639.8	648.6	-0.6	0.58

[illegible]

Allied Dunbar Assurance Plc – Contd.
Baring Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Pen Eqn Cap	30.8	32.5	[illegible]	-
Pen Eqn Acc	34.2	36.1	[illegible]	-
Pen Am Eq Cap	36.9	38.9	[illegible]	-
Pen Am Eq Acc	41.0	43.2	[illegible]	-
Pen Far East Cap	31.3	33.0	[illegible]	-
Pen Far East Acc	34.7	36.6	[illegible]	-
Pen Euro Cap	39.7	41.8	[illegible]	-
Pen Euro Acc	44.0	46.4	[illegible]	-

James Capel Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Pen Eqn Cap	29.2	[illegible]	-0.3	-
Pen Eqn Acc	32.4	[illegible]	-0.3	-
Pen Am Eq Cap	31.4	[illegible]	+0.3	-
Pen Am Eq Acc	34.9	[illegible]	+0.3	-
Pen Far East Cap	32.5	[illegible]	+0.3	-
Pen Far East Acc	36.1	[illegible]	+0.3	-
Pen Euro Cap	33.3	[illegible]	-0.1	-
Pen Euro Acc	37.0	[illegible]	-0.1	-

Ambassador Life Assce. Co Ltd
80 Holdenhurst Rd, Bournemouth
Equity Fund Acc. 169.1 178.0 [illegible]

American Life Insurance Co UK
2-8 Altyre Road, Croydon CR9 2LA 081-680 6000
Life Funds (Accumulation Units)

	Bid Price	Offer Price	+ or -	Yield Gross
Premier Managed(z)	156.4	164.7	-1.3	-
Alpha Managed(z)	99.8	105.2	-0.7	-
HICA Managed(z)	93.7	98.5	-0.8	-

Pension Funds (Accumulation Units)

	Bid Price	Offer Price	+ or -	Yield Gross
Premier Managed(z)	187.7	197.6	-1.6	-
Alpha Managed(z)	109.2	115.0	-1.0	-

[illegible]

INSURANCES

AA Friendly Society

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

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هكذا من الاصل

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IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Data and bank sales hit dollar

THE DOLLAR fell back on weak US economic figures and co-ordinated central bank intervention yesterday. The German Bundesbank led an attack by central banks when the US currency was trading at around DM1.7540 during the European morning. It later retreated to a low of DM1.7375 in the face of unexpectedly weak US durable goods orders.

Data on durable goods orders are regarded as volatile and not a reliable guide to economic trends, but dealers were still surprised that orders in March fell 6.2 per cent against expectations of a 0.2 per cent increase.

It was the first time that the Bundesbank had intervened on the open market since mid-March. Other European central banks, including the Bank of England, appeared to sell dollars for D-Marks yesterday, although it was not until after the durable goods figures were announced that the dollar came under any pressure in the market.

Comments by US officials also had a depressing influence on the currency, with Mr David Mullins, a Federal Reserve governor, saying the US economic recovery may not be very robust.

In testimony before the Senate banking committee, Mr Alan Greenspan, Federal [illegible] Board chairman, said the economy appears to be still moving modestly lower, but all indications are that the recession will bottom out within a "reasonably short period".

He added that the Fed is keeping its options open on interest rates and is "looking at the economy on a day by day basis".

At the close in London, the dollar had fallen to DM1.7420 from DM1.7660; to Y137.90 from Y139.40; to SFr1.4590 from SFr1.4795; and to FFr5.8750 from FFr5.9475. On Bank of England figures the dollar's index declined 0.6 to 66.5.

Sterling gained ground with other European currencies against the dollar, but was replaced by the Italian lira as the second strongest member of the European exchange rate mechanism.

Political risk is beginning to have a nervous effect ahead of next week's local elections in England and Wales. Recent economic news has also caused some concern.

Erratic items were blamed by the authorities for yesterday's news that the UK current account deficit widened to £432m in March from the previous month's £227m, but dealers regarded the rise of 3.5 per cent in imports as worrying.

Mr Nick Parsons, economist at Union Discount, said the official explanation was simply not good enough, given that the February improvement was entirely the result of the fourth largest surplus on erratic items since records began.

The pound regained 1.90 cents to $1.7115, but slipped to DM2.9825 from DM2.9900; to SFr2.4975 from SFr2.5050; and to FFr10.0550 from FFr10.0650. It was unchanged at Y236.00. The sterling index improved 0.1 to 91.7. In New York the pound finished a further 15 points firmer at $1.7130.

£ IN NEW YORK

Apr.23	Close	Previous Close
£ Spot	1.7125-1.7135	1.6950-1.6960
1 month	0.87-0.85pm	0.80-0.78pm
3 months	2.27-2.25pm	2.28-2.25pm
12 months	6.83-6.75pm	6.81-6.71pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Apr 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	1.6900 - 1.7160	1.7110 - 1.7120	0.87-0.85cpm	6.03	2.29-2.26pm	5.32
Ireland†	1.5160 - 1.5340	1.5330 - 1.5340	0.46-0.41cpm	3.40	1.30-1.20pm	3.26
Canada	1.1550 - 1.1590	1.1555 - 1.1565	0.34-0.37cdis	-3.69	0.94-0.99dis	-3.34
Netherlands	1.9580 - 1.9900	1.9620 - 1.9630	0.52-0.55cdis	-3.27	1.46-1.51dis	-3.03
Belgium	35.85 - 36.30	35.95 - 36.05	8.00-10.00cdis	-3.00	24.00-27.00dis	-2.83
Denmark	6.6625 - [illegible]	[illegible] - 6.6675	2.30-2.60oredis	-4.41	6.15-6.85dis	-3.90
Germany	1.7375 - [illegible]	[illegible] - 1.7425	0.46-0.48pfdis	-3.24	1.31-1.34dis	-3.04
Portugal	149.75 - [illegible]	[illegible] - 150.15	105-130cdis	-9.39	280-330dis	-8.13
Spain	107.15 - 108.[illegible]	[illegible] - 107.35	70-73cdis	-8.00	184-190dis	-6.97
Italy	1284.50 - 130[illegible]	[illegible] - 1286.25	6.00-6.50liredis	-5.83	16.80-17.80dis	-5.38
Norway	6.7725 - 6.85[illegible]	[illegible] - 6.7775	2.33-2.68oredis	-4.44	6.45-7.05dis	-3.99
France	5.8650 - 5.95[illegible]	[illegible] - 5.8775	1.63-1.68cdis	-3.38	4.43-4.53dis	-3.05
Sweden	6.2075 - 6.27[illegible]	[illegible] - 6.2175	3.18-3.43oredis	-6.38	9.00-9.55dis	-5.97
Japan	137.60 - 138.[illegible]	[illegible] - 137.95	0.23-0.25ydis	-2.09	0.57-0.61dis	-1.71
Austria	12.2500 - 12.4[illegible]	[illegible] - 12.2575	2.90-3.30grodis	-3.04	8.40-9.60dis	-2.94
Switzerland	1.4570 - 1.47[illegible]	[illegible] - 1.4595	0.30-0.33cdis	-2.59	0.81-0.86dis	-2.29
Ecu	1.1685 - 1.1[illegible]	[illegible] - 1.1850	0.33-0.28cpm	3.09	0.98-0.95pm	3.26

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

POUND SPOT - FORWARD AGAINST THE POUND

Apr 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6900 - 1.7160	1.7110 - 1.7120	0.87-0.85cpm	6.03	2.29-2.26pm	5.32
Canada	1.9585 - 1.9805	1.9790 - 1.9800	0.43-0.35cpm	2.36	1.04-0.91pm	1.97
Netherlands	3.3550 - 3.3685	3.3550 - 3.3650	¾-¼cpm	2.90	2-1¾pm	2.31
Belgium	61.10 - 61.65	61.55 - 61.65	18-13cpm	3.02	42-35pm	2.50
Denmark	11.3675 - 11.4220	11.4025 - 11.4125	2-1½orepm	1.71	5-3½pm	1.49
Ireland	1.1160 - 1.1195	1.1160 - 1.1170	0.20-0.15ppm	1.88	0.50-0.40pm	1.61
Germany	2.9800 - 2.9890	2.9800 - 2.9850	¾-⅝pfpm	2.77	1¾-1⅝pm	2.26
Portugal	255.05 - 256.65	255.25 - 256.25	9-37cdis	-1.08	56-111dis	-1.31
Spain	183.30 - 184.50	183.45 - 183.75	24-32cdis	-1.83	63-78dis	-1.54
Italy	2194.70 - 2208.85	2200.50 - 2201.50	7pm-3liredis	1.09	10pm-11dis	-0.09
Norway	11.5695 - 11.6265	11.5900 - 11.6000	2-1½orepm	1.62	4½-3½pm	1.40
France	10.0500 - 10.0905	10.0500 - 10.0600	2¼-2cpm	2.54	6-5½pm	2.29
Sweden	10.5915 - 10.6495	10.6325 - 10.6425	½pm-½oredis	-0.21	1-2½dis	-0.61
Japan	234.55 - 236.50	235.50 - 236.50	¾-⅝ypm	4.13	2¼-2pm	3.50
Austria	20.95 - 21.04	20.95 - 20.98	5½-4½gropm	2.83	14½-12½pm	2.82
Switzerland	2.4925 - 2.5025	2.4925 - 2.5025	¾-⅝cpm	3.30	2-1¾pm	3.10
Ecu	1.4435 - 1.4515	1.4465 - 1.4475	0.29-0.24cpm	1.61	0.98-0.95pm	1.95

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.19-4.14cpm. 12 Month 6.95-6.85pm

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Apr 23	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	127.230	-4.79	6.11	88
Italian Lira	1538.24	1525.74	-0.81	1.85	47
Sterling	0.696904	0.691368	-0.79	1.83	14
Belgian Franc	42.4032	42.4579	0.13	0.90	1
Dutch Guilder	2.31643	2.32567	0.40	0.62	-12
D-Mark	2.05586	2.06452	0.42	0.60	-17
Irish Punt	0.767417	0.771183	0.49	0.53	-15

CURRENCY MOVEMENTS

CURRENCY RATES

EURO-CURRENCY INTEREST RATES

Long term Eurodollars: two years 7⅞-7⅝ per cent; three years 8⅛-7⅞ per cent; four years 8¼-8⅛ per cent; five years 8⅜-8¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Apr.23	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.712	2.983	236.0	10.06	2.498	3.360	2201	1.980	61.60	1.447
$	0.584	1	1.742	137.9	5.876	1.459	1.963	1286	1.157	35.98	0.845
DM	0.335	0.574	1	79.11	3.372	0.837	1.126	737.8	0.664	20.65	0.485
YEN	4.237	7.254	12.64	1000.	42.63	10.58	14.24	9326	8.390	261.0	6.131
F Fr.	0.994	1.702	2.965	234.6	10.	2.483	3.340	2188	1.968	61.23	1.438
S Fr.	0.400	0.685	1.194	94.48	4.027	1	1.345	881.1	0.793	24.66	0.579
H Fl.	0.298	0.510	0.888	70.24	2.994	0.743	1	655.1	0.589	18.33	0.431
Lira	0.454	0.778	1.355	107.2	4.571	1.135	1.527	1000.	0.900	27.99	0.657
C$	0.505	0.865	1.507	119.2	5.081	1.262	1.697	1112	1	31.11	0.731
B Fr.	1.623	2.779	4.843	383.1	16.33	4.055	5.455	3573	3.214	100.	2.349
ECU	0.691	1.183	2.062	163.1	6.952	1.726	2.322	1521	1.368	42.57	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

OTHER CURRENCIES

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls June	Calls Sept.	Calls Dec.	Puts June	Puts Sept.	Puts Dec.
105	1.87	-	2.50	0.17	0.76	1.30
106	1.08	1.71	-	0.40	1.10	-
107	0.52	1.23	-	0.82	1.56	-
108	0.23	0.79	-	-	-	-
109	0.09	-	-	-	-	-
Open Int.	120,947	38,694	1,401	133,973	43,919	1,601

Estimated volume 27,859 Total Open Interest 340,535

BASE LENDING RATES

	%		%		%
ABN Bank	12	Comm.Bk.of London Plc	12	McDonnell Douglas Bnk.	12
Adam & Company	12	Co-operative Bank	12	Midland Bank	12
Allied Trust Bank	12	Coutts & Co	12	Mount Banking	12
AIB Bank	12	Cyprus Popular Bk	12	Nat Bk. of Kuwait	13½
● Henry Ansbacher	12	Duncan Bank PLC	12	NatWestminster	12
B & C Merchant Bank	12	Duncan Lawrie	12	Northern Bank Ltd	12
Bank of Baroda	12	Equatorial Bank plc	12½	Nykredit Mortgage Bank	12½
Banco Bilbao Vizcaya	12	Exeter Bank Limited	12½	Provincial Bank PLC	14
Bank Credit & Comm	12	Financial & Gen. Bank	12	Roxburghe Bank Ltd.	13½
Bank of Cyprus	12	First National Bank Plc.	15	Royal Bk of Scotland	12
Bank of Ireland	12	● Robert Fleming & Co.	12	● Smith & Williamson Secs.	12
Bank of India	12	Robert Fraser & Ptnrs.	12½	Standard Chartered	12
Bank of Scotland	12	Girobank	12	TSB	12
Banque Belge Ltd	12	● Guinness Mahon	12	Unibank plc	12
Barclays Bank	12	● Hambros Bank	12	● United Bk of Kuwait	12
Benchmark Bank	12	Hampshire Trust Plc	13½	United Mizrahi Bank	12½
Brit Bk of Mid East	12	Heritable & Gen Inv Bnk.	12	Unity Trust Bank Plc	12
● Brown Shipley	12	● Hill Samuel	12	Western Trust	12
CL Bank Nederland	12½	C. Hoare & Co.	12	Westpac Bank Corp.	12
● Charterhouse Bank	12	Hongkong & Shanghai	12	Whiteaway Laidlaw	12
Citibank NA	12	● Leopold Joseph & Sons	12	Yorkshire Bank	12
City Merchants Bank	12	Lloyds Bank	12		
Clydesdale Bank	12	Meghraj Bank Ltd	12		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Europe rates steady

INTEREST RATES were steady in Europe yesterday after the German Bundesbank set an unchanged fixed rate at a one-month securities repurchase agreement tender and the Bank of Spain left its money market intervention rate unchanged.

Wholesale rates in London were also stable as hopes of lower bank base rates received the second setback in two day's. Monday's news of high retail sales in March was followed yesterday by a larger than expected UK current account deficit in the same month.

UK clearing bank base lending rate 12 per cent from April 12, 1991

Call money in Frankfurt was unchanged at 8.85 per cent following the Bundesbank's offer of a securities repurchase agreement tender at a fixed rate of 8.60 per cent. Dealers expect the supply of funds to roughly match the DM10.8bn draining from the banking system today as an earlier facility expires.

In Madrid the Bank of Spain supplied liquidity to the domestic money market at an unchanged 13.5 per cent at the regular thrice-monthly repurchase tender for central bank certificates.

In London three-month interbank was steady at 11¾-11⅝ per cent and 12-month money was unchanged at 11 7/16-11 5/16 per cent.

On Liffe short sterling futures maintained a recent weaker trend. June delivery opened unchanged at 88.64, but closed at 88.59.

Day-to-day credit remained in short supply on the cash market. The Bank of England initially forecast a shortage of £1,350m, but revised this to £1,200m at noon and to £1,250m in the afternoon. Total help of £1,172m was provided.

In early operations the authorities bought £73m bank bills outright in band 2 at 11 11/16 per cent. Before lunch another £124m bills were purchased, by way of £47m bank bills in band 1 at 11¾ per cent and £77m bank bills in band 2 at 11 11/16 per cent.

In the afternoon £975m bills were bought, via £1m Treasury bills in band 1 at 11¾ per cent, £545m bank bills in band 1 at 11¾ per cent and £429m bank bills in band 2 at 11 11/16 per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £7m, with the unwinding of a repurchase agreement on bills absorbing £1,374m and bank balances below target £130m. These outweighed exchequer transactions adding £65m to liquidity and a fall in the note circulation of £95m.

FT LONDON INTERBANK FIXING

(11.00 a.m. Apr.23) 3 months US dollars		6 months US Dollars	
bid 6 5/16	offer 6 7/16	bid 6¼	offer 6⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (4pm)

Prime rate	9
Broker loan rate	7½
Fed.funds	5 11/16
Fed.funds at intervention	5¾

Treasury Bills and Bonds

One month	5.75	Three year	7.32
Two month	5.24	Four year	7.47
Three month	5.85	Five year	7.76
Six month	5.99	Seven year	8.00
One year	6.28	10-year	8.11
Two year	7.03	30-year	8.28

Apr 23	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.80-8.90	8.85-9.00	8.95-9.10	9.00-9.15	9.10-9.25	9.00
Paris	9⅜-9½	9¼-9⅜	-	9⅜-9½	-	9.25
Zurich	7¾-8¼	8¼-8½	-	8¼-8½	-	-
Amsterdam	9.00-9.15	8.94-9.04	-	9.08-9.18	-	-
Tokyo	8⅛-8¼	8⅛-8¼	-	7⅞-7⅞	-	-
Milan	11½-11¾	11⅝-11⅞	-	11¾-12	-	-
Brussels	8.63-8.75	8¾-9	-	9¼-9¼	-	-
Dublin	8¾-9	10-10½	10⅛-10⅜	10⅛-10⅜	10¼-10½	-

LONDON MONEY RATES

Apr 23	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	12½	12	12	11¾	11⅝	11½
Interbank Bid	5	11¾	11⅞	11⅝	11½	11⅜
Sterling CDs	-	-	11 13/16	11 11/16	11⅝	11⅜
Local Authority Deps.	11¾	11¾	11⅞	11¾	11½	11⅜
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	11¾	11¾	11 13/16	11¾	-	-
Company Deposits	-	-	11 15/16	11 13/16	11⅝	11½
Finance House Deposits	-	-	12	11 13/16	11⅝	11½
Treasury Bills (Buy)	-	-	11⅞	11⅝	10⅞	-
Bank Bills (Buy)	-	-	11 13/16	11⅝	10 15/16	-
Fine Trade Bills (Buy)	-	-	12⅛	12	11⅜	-
Dollar CDs.	-	-	6.12	6.16	6.28	6.85
SDR Linked Dep. Offer	-	-	7 13/16	7 13/16	7¾	8
SDR Linked Dep. Bid	-	-	7 11/16	7 11/16	7⅝	7⅞
ECU Linked Dep. Offer	-	-	9⅝	9½	9⅞	9½
ECU Linked Dep. Bid	-	-	9 7/16	9¼	9⅜	9½

Treasury Bills (sell); one-month 11 5/16 per cent; three months 11 3/16 per cent; six months 10¾ per cent; Bank Bills (sell): one-month 11 11/16 per cent; three months 11 9/16 per cent; Treasury Bills; Average tender rate of discount 11.1806 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day March 28, 1991. Agreed rates for period April 23,1991 to May 25, 1991, Scheme I: 13.52 p.c., Schemes II & III: 13.71 p.c. Reference rate for period March 1,1991 to March 28, 1991, Scheme IV&V: 12.472 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 13 from April 1, 1991; Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8½ per cent; one-three months 11 per cent; three-six months 10½ per cent; six-nine months 10 per cent; nine-twelve months 9½ per cent; Under £100,000 8½ per cent from April 15,1991, Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,526 Set by CINEPHILE

ACROSS

1 Usual haunt of impatient horse? (8,6)
10 Rule that sounds wet (5)
11 What's left by chopper provides me with putters (4,5)
12 Strive to be whole with left left out (7)
13 Distant lights unable to turn on a point (7)
14 What's wrong with the FT going back to work in a body? (5)
16 Secret books make Cora happy (9)
19 Tree to be out[illegible]de part of capital, which [illegible] very fair (3,6)
20 Solvers' unfinished article for Salad Days (5)
22 A doctor takes a long time to find secret pathways (7)
25 £9 off a variety of executive's vade mecum (7)
27 Major Russian composer entertained by person has to go first (9)
28 Shade for Mary's head: her greeting's about universal (5)
29 Sovereign in cash functions in transport – hanky-panky (6,8)

DOWN

2 Instant effect of Ba'athism on the Gulf (4,5)
3 Pet complaint that French food's white? (5)
4 Rouse him at nine for the major part (2,3,4)
5 Gather first in mountain valley (5)
6 Chuck following file with expression of contempt (9)
7 Turn up some clause: it's customary (5)
8 Bathe before t-time flies (7)
9 Flower or reptile (American) (6)
15 Lord of the forest, not quite of the Health Service (9)
17 Love, if raised in enthusiasm, 's for those of school age ... (4,5)
18 .... and under – bags! ([illegible]
19 Combination of 1 to [illegible] including seaweed (7)
21 Scientists and writer of colour about the fortieth year (6)
23 Beefy title? (5)
24 Man respected for his first degree? (5)
26 Shade of answer? (5)

Solution to Puzzle No.7,525

C	A	S	C	A	D	I	N	G		P	O	S	E	R
O		E		B		M		I		A		T		E
D	E	M	O	S		P	U	B	L	I	C	A	N	S
E		A		T		A		B		D		K		I
D	E	P	R	E	S	S	I	O	N		M	E	S	S
		H		M		T		N		M				T
P	R	O	V	I	S	O		S	W	A	N	S	E	A
O		R		O						G		P		N
P	R	E	S	U	M	E		R	A	I	M	E	N	T
P				S		V		U		S		C		
Y	E	A	R		R	E	I	N	S	T	A	T	E	S
C		S		A		N		L		R		A		I
O	T	H	E	R	W	I	S	E		A	S	C	O	T
C		E		E		N		S		T		L		E
K	E	N	Y	A		G	A	S	M	E	T	E	R	S

WORLD STOCK MARKETS

AUSTRIA

April 23	Sch	+ or –
Austrian Airlines	3,325	+4
Creditanstalt	3,310	–20
EA General	4,452	+32
EVN	8,380	+70
Jungbunzlauer	10,780	....
Laenderbank	1,380	+20
OeMv	9,580	+60
Perlmooser Zement	1,510	–130
Radex Heraklith	912	+2
Reininghaus Brue	2,070	–275
Steyr Daimler	427	+8
Veitscher Magnesit	780	+34
Verbund (Br) A	524	....
Wienerberger	6,110	+9

BELGIUM/LUXEMBOURG

April 23	Frs.	+ or –
ACEC-Union Min	2,725	+30
Arbed	4,030	–5
BBL	2,980	–50
Bank Intl a Lux	12,400	....
Banq Gen Lux Pts	12,500	....
Barco	1,396	–14
Bekaert	9,010	–20
CBR Ciment	7,990	–10
Cobepa	5,370	–30
Cobepa AFV 1	5,330	–10
Cockerill Priv	166	....
Colruyt	3,150	–20
Delhaize Frs Lion	7,910	–50
Electrabel	4,820	–10
Electrabel AFV	4,750	–20
Electrafina ACT	3,155	+15
Fabrique Nat	130	....
GBL AFV 1	3,680	–20
GIB Group AFV	1,336	+10
GBL	3,860	+25
GIB Group	1,340	+20
Gechem	896	+64
Gechem AFV	810	+38
Generale Banque	5,410	–80
Gen Banque AFV 1	5,470	–20
Gevaert	7,440	+10
Kredietbank	4,000	–70
Kredietbk AFV	4,145	....
Pan Holding Lux	14,300	....
Petrofina	11,625	+75
Powerfin	2,780	[illegible]
Powerfin AFV	2,800	[illegible]
Royale Belge	4,750	[illegible]
Royale Belge AFV 1	4,620	[illegible]
Soc Gen Belge	2,490	[illegible]
Soc Gen Belge AFV	2,500	....
Sofina	12,225	–150
Solvay	13,050	+75
Tessenderlo	7,100	–120
Tessenderlo AFV	7,020	....
Tractebel	8,680	+60
Tractebel AFV 1	8,510	+110
UCB	18,300	+375
UCB AFV	17,975	[illegible]
Wagons Lits	7,400	[illegible]
Wagons Lits AFV	7,210	[illegible]

DENMARK

April 23	Kr	+ or –
Baltica Holding Reg	758	–12
Carlsberg A	1,580	–10
D/S 1912 A	97,000	–1,000
Danisco	938	–7
Den Danske Bank	318	–1
East Asiatic	183	....
FLS Ind B	890	–11
Gen Store Nord	849	....
Hafnia Invest A	701	+16
ISS Intl Serv B	900	–9
Jyske Bank Reg	380	....
Lauritzen (J) B	1,410	–40
NKT A/S	355	....
Novo Nord B	422	–2
Sophus Berend B	1,490	....
Superfos	4,780	–20
TopDanmark	1,000	–20
Unidanmark A	254xd	–1

FINLAND

April 23	Mkn	+ or –
Amer	65	–1
Cultor	56	....
Enso R	19.70	....
Huhtamaki I Free	100	....
KOP	35	–4
Kone	331	....
Kymmene	69	–1
Metra B Free	83	....
Nokia Pref Free	76	–2
Pohjola B Free	98	....
Repola (Free)	72.10	–0.40
Stockmann B	125	....
Tampella Free	34	+2
UBF C	25	....

FRANCE

April 23	Frs.	+ or –
Accor	706	+5
Air Liquide	682	+8
Alcatel Alsthom	577	+6
Arjomari Prioux	2,212	–13
Auxil Entrepr	1,185	+19
Axa	1,075	–11
BIC	775	+15
BSN	846	+7

FRANCE (continued)

April 23	Frs.	+ or –
Bongrain	2,539	–11
Bouygues	577	+16
CGIP	1,016	–2
C M B Packaging	134.50	+2.80
Canal+	973	+3
Cap Gemini S	392.80	–11.60
Carrefour	3,720	–6
Casino	141	....
Cetelem	640	–2
Chargeurs	736	–3
Ciments Fr	390	–26.10
Club Mediterranee	475.10	–3.50
Cogifi	380	–3
Coparex	575	–5
C C F	165.60	–0.40
Cr Fonc France	1,085	–5
Cred Lyon (CI)	673	+23
Credit Nationale	1,220	+21
Damart	2,100	....
Docks de France	3,840	+46
Dollfus Mieg Cie	411	+11
EBF	775	–4
EMix Cie Genl	2,575	+2
Ecco	383	–20
Elf-Aquitaine	336.40	+8.60
Elf-Aquitaine Certs	231	–3
Essilor Int	360	....
Etex	2,098	+23
Eurafrance	1,583	+13
Eurocom	881	+7
Euro Disney	118.20	+1.50
Euromarche	4,138	+68
Exor	1,394	+32
Finextel	141.50	+2.50
Fonc Lyonnaise	820	+10
From C et Anv	2,120	....
GTM-Entrepose	449	+3
Gaumont (Soc N)	951	+2
Gen Occidentale	765	+8
Geophysique	689	....
Hachette	200	–2.10
Havas	524	+6
Imetal	313	+6.50
Imm de France	1,150	–48
Immobanque	760	....
Immob Phenix	181	+1.50
Industrielle	4,750	....
Interbail	482	+1.[illegible]
Intertechnique	1,120	+5
LVMH	3,996	–2
Lafarge Coppee	379	....
La Henin	569	+23
L'Oreal	549	+14
Legrand	3,790	–10
Locafrance	525	....
Lyon Eaux Dumez	627	+7
Matra	257.30	–7.70
Merlin-Gerin	548	+7
Michelin B	85	+0.80
Moulinex	125.50	+8
Navigation Mixte	1,385	+10
Nord Est	134.10	–0.80
Nouv Galeries	756xr	–4
OFP	1,617	+20
Orsan	191	–7.90
Paribas	439.10	–8.90
Paris Reescompte	260	....
Pechelbronn	1,318	+4
Pernod Ricard	1,204	+19
Perrier	1,427	+9
Peugeot	550	+7
Pinault	357	–1.90
Poliet	468	–29.80
Printemps (Au)	639	–21
Promodes	2,050	+29
Radiotechn	395	+9.10
Redoute	3,600	–21
Rhone Poulenc Cii	372	+1.90
Roussel-Uclaf	2,215	+15
SILIC	670	–2
Sagem	1,670	–20
Saint Gobain	458	+8.70
Saint Louis	1,440	+20
Sanofi	858	+27
Schneider	779	+1
Seb SA	1,539	–9
Sefimeg	459.60	+2.10
Simco	535	–1
Skis Rossignol	728	–2
Soc Generale de Fr	414	+4
Sommer-Allibert	1,645	–5
Spie Batignolles	518	–3
Suez (Fin de)	330.10	+3
Taittinger	3,749	–20
Thomson C S F	145	+5
Total Fr Petro B	728	+3
UAP	554	+6
UFB Locabail	245.10	–10.90
Uniball	701	–7
Union Immob Fr	581	+6
Valeo	432	+1.50
Vallourec	294	....

GERMANY

April 23	Dm.	+ or –
AEG	202.50	+1.40
AG Ind & Verk	823.50	–1.50
Aachen Mch (Reg)	820	–10
Allianz AG	2,339	+25
Altana Ind	563	+3
Asko	821	–5.50
Asko Prf	782	+1
BASF	234.30	+3.80
Badenwerk	229	–0.50
Bayer	284.50	+6.60
Bayer-Hypo	370	+11.50
BMW (Br)	576	+8.50
Bayer Vereinsbk	367r	+5

GERMANY (continued)

April 23	Dm.	+ or –
Brown Boveri	1,047	+17
Colonia Vers	1,150	....
Colonia Versich Pf	660	....
Commerzbank	258.70	–0.50
Continental AG	218	+2
DLW	644	+8
Daimler-Benz	695.50	+15
Deckel (Fr)	150	+6
Degussa	332.80xd	+7.30
Deutsche Babcock	171	+1.50
Deutsche Bank	636.50	+8
Didier-Werke	203.50	–5.50
Douglas Hldg	779	+7
Dragerwerk	281	....
Dresdner Bk	358	+3.50
Fag Kugelfischer	258	+2
Gerresheimer	391	....
Goldschmidt (TH)	715	+2
Hamburg Elekt	194	....
Hapag Lloyd	425	....
Heideib Zem	1,160	+10
Henkel Prf	567	+1
Herlitz	372	....
Hochtief	1,328	+8
Hoechst	264.50	+7.80
Hoesch	267	+2.90
Holzmann Ph	1,381	+12
Horten	205	+2.20
Industriekredit	265	+12
Industrie Werke	326.50	+4
Kali & Salz	171	+1
Karstadt	615	+5
Kaufhof	499	+3.80
KHD	205	+3.50
Klockner Werke	151	+1.20
Lahmeyer	955	–15
Leifheit	760	+17
Linde	804	+3
Linotype	520	+5
Lufthansa	132.50	+1.50
Lufthansa n/r Prf	115.50	+0.50
MAN	393	+7
MAN Pref	310	+4
Mannesmann	285.50	+4
Mannheim Vers	850	....
Mercedes Hld	547	+8
Metallgesellschaft	523.50	+10.50
Muench Rueck (Reg)	2,405	–40
PWA	263	+4
Philips Kommun	599	+6
Porsche	905	+2
Preussag	319.50	+3.50
Rheinelektra	1,860	–10
Rheinmetall Berlin	330	+10
Rheinmetall Prf	236	+5.50
Rhein West El	393	+4
Rhein West El Prf	319.40	+0.40
Rosenthal	295	–3
Schering	773	+7
Schmalbach Lubeca	363	+8
Siemens	597.50	+14.20
Springer Axel Rg	705	–15
Sud Chemie	605	....
Thyssen	222	+3.30
Varta	325	–3
Veba	333.30	+2.10
VEW	215.50	–1
Verein-West	308.50	+0.50
Viag	356	....
Volkswagen	364	+7.30
Volkswagen Prf	316	+4
Wella Prf	705	–15
Zanders Feinpap	232	+1

ITALY

April 23	Lire	+ or –
Banca Comm	4,839	–1
Banca Naz Agric	7,500	+190
Banco Lariano	6,120	–30
Bastogi-I R B S	251	–3
Burgo (Cartiere)	9,200	–105
CIR	2,660	+50
Caffaro Spa	819	–21
Cementir	2,170xr	–6
Cigahotel	2,912	–38
Cofide Fin	2,770	+15
Credito Italiano	2,670	–1

NETHERLANDS

April 23	Fls.	+ or –
A B N Amro Holding	37.20	+0.10
ACF Holding	42.20	+1
AEGON	128.80	+0.40
Ahold	83.40	+0.30
AKZO	112.10	+0.20
AMEV	58.40	+0.40
Bols Lucas	207.20	+3.20
Bornemij Wehry Ct	83.30	–0.20
Buehrmann Tet Ct	59.90	+1.10
Centrale Suiker	86.60	+0.80
DAF	26.30	–0.10
DSM	109.70xd	+0.90
Dordtsche Petr	147.10	+2.10
Elsevier Dp Rcts	86.60	+1.30
Fokker	33.50	+2.20
Gamma	104.50	–0.30
Gist Brocades	33	+0.50
Heineken	156.80xd	+0.80
Hollnd Beton	202	....
Hoogovens	57	+0.80
Hunter Douglas	78	+0.40
IHC Caliand	61.50	+2.50
Int. Nederland	52	+0.40
Intl Mueller	82.50	+2.50
KLM	27.60	+0.60
KNP	52.70xd	+1.70
Kempen	11.80xd	+0.20
Nedlloyd	51.60	+0.30
Nijverd-Ten Cate	90	+0.70
Nutricia Ver Bedr	133.70	+0.20
Oce V Grint	49.90xd	+1.10
Ommeren (Van)	42.30	+0.20
Pakhoed	196	....
Philips	27.80	+0.10
PolyGram	38.20	+0.10
Robeco	101.30xd	+0.40
Rodamco	54.80	–0.10
Rolinco	100.70xd	+0.80
Rorento	65.90	+0.10
Royal Dutch	158.40	+2.30
Unilever	165.80	+0.50
VNU	89.50	+2.50
VMF Stork	49.90	–0.50
Wessanen	81.70	+2.70
Wolters Kluwer	54.80	+0.60

NORWAY

April 23	Kroner	+ or –
Aker A Free	102	–3
Bergesen A	127	+1
Christiania Bk Free	44	....
Den norsk Bk Free	130	....
Dyno Ind	119	....
Elkem Free	161	–16
Hafslund Nyc A Free	200	–2
Kvaerner Free	182	–4
Leif Hoegh	75	–3
Nora Ind A Free	220	+4
Norsk Data A	24	–1
Norsk Hydro	187	–0.50
Norske Skog A Free	171.50	....
Orkla Borreg Free	207	....
Saga Pet A Free	106	....
Saga Pet B Free	105	–1
Skaugen (J M)	15.50	–0.20
Storebrand Free	126	–2
Storli B	148	–2
Unitor Ships Sr	98.50	–0.50
Vard AS A	73	–2

SPAIN

April 23	Pts.	+ or –
Alba (Corp Fin)	5,950	+30
Aragonesas	1,695	+60
Asland	3,445	+50
Banco Bilbao Viz	3,130xd	+30
Banco Central	4,585	+5
Banco Exterior	3,485xd	+5
Banco Hispano	3,110	+10
Banco Popular	10,820	+180
Banco Santander	5,580	+70
Banesto	3,840	+50
CEPSA	2,150	+15
Carburos Metal	5,900	+10
Dragados	2,765	+6

SWEDEN (continued)

April 23	Kroner.	+ or –
Electrolux B Free	219	+3
Ericsson B Free	198	+6
Esselte B Free	140	–1
Gambro B Free	170	–5
Mo Och Dom B Free	293	–2
Nobel Free	79	+4
Procordia B Free	162	+6
Saab Scania B Free	291	....
Sandvikes B Free	293	+3
Skandia Free	168	+1
Skan Enskilda C	70.50	....
SKF B Free	92.50	–0.50
Stora Kopp B	359	–3
SCA B Free	104	....
Sven.Handl.B Free	125	....
Trelleborg B Free	143	+5
Volvo B Free	320	+2

SWITZERLAND

April 23	Frs.	+ or –
Adia Intl (Br)	860	+25
Adia Ptg Cts	123.50	+2.50
Alusuisse Lonza	1,095xd	+30
Alusuisse Ptg Cts	97.50xd	+1
Baloise Ptg	2,160	+20
Brown Boveri (Br)	4,530	+10
Brown Boveri Ptg	835	+5
CS Hldgs (Br)	2,180	[illegible]
Ciba Geigy (Br)	2,810	[illegible]
Ciba Geigy (Reg)	2,510	[illegible]
Ciba Geigy (Pt Cts)	2,420	[illegible]
Elektrowatt	3,050	[illegible]
Elvia	2,010	[illegible]
Fischer (Geo)	1,570	[illegible]
Fischer Ptg	268	[illegible]
Forbo	2,390	[illegible]
Holderbk (Br)	5,050	[illegible]
Holzstoff (Br)	5,650	[illegible]
Jelmoli	1,590	+20
Jelmoli Ptg Cts	320	+5
Landis & Gyr	1,075	+5
Landis & G Prior Ptg	104	[illegible]
Leu Hold (Br)	1,600	+60
Leu Hold Ptg	250	+6

4:00 pm prices April [illegible]

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	9¼	AAR Corp	0.48	0.03	12	308	14½	13¾	13¾	-½
28¼	21½	A L Labs A	0.16	[illegible]	31	209	27	26¼	26¾	-⅜
54¾	40⅞	AMP Inc	1.44	[illegible]	19	1001	53⅜	52	52⅛	-1
64⅞	44¼	AMR				189872	63	62¼	63	+1¼
2⅞	1¼	ARX			3	19	2⅜	2¼	2⅜	
48¾	41½	ASA	[illegible]	0.07	13	918	45⅞	45	45⅞	-⅛
54	39⅞	Abbott Lab x	[illegible]	0.02	22	4447	52¼	51½	52¼	+1⅛
13⅝	9⅞	Abitibi Pr x	[illegible]	0.04	19	22	13¼	13¼	13⅜	
11⅜	10⅜	ACM Gvt In				475	u11⅜	11¼	11⅜	
9⅜	8⅛	ACM GvOpp				37	9⅛	9⅛	9⅛	+⅛
9	8⅛	ACM Gvt Sp	1.01	0.11		[illegible]	u9⅛	8⅞	9⅛	+⅛
11	9⅞	ACM Gvt Se x				[illegible]	u11	10⅞	10⅞	-⅛
8¼	7⅝	ACM Man				[illegible]	8⅛	8	8⅛	+⅛
12⅝	11⅜	ACM Manegd				[illegible]	u12⅝	12⅜	12½	
7¼	4⅜	Acme Cleve	0.40	[illegible]	16	[illegible]	6⅞	6½	6⅝	+⅛
6	4⅞	Acme Elect			18	[illegible]	5	4⅞	4⅞	-⅛
40	22⅜	Acuson			25	385	34⅜	34	34	-⅛
17⅞	14¼	Adams Expr	0.48	[illegible]	0	74	17⅛	17	17	
20⅛	18⅞	Adobe12Pf x	2.40	[illegible]		z100	19½	19½	19½	-⅛
9¼	7	Adobe Res			20	201	7⅝	7½	7⅝	-⅛
35⅜	18	Ad Micro				80	32¾	32½	32¾	+⅛
14¼	4⅝	Ad Micro P	[illegible]	0.23	14	1829	12⅞	12½	12⅞	+⅜
5⅛	2¼	Advest Grp	[illegible]	0.04	5	88	4⅜	4⅜	4⅜	-⅛
49⅛	33⅞	Aetna Lf x	[illegible]	0.06	7	1578	47⅜	46⅞	47¼	-⅛
10⅝	6⅝	Affil A	[illegible]	0.03	35	243	9	8¾	8⅞	
18⅜	12	Ahmanson	[illegible]	0.05		83879	16⅞	16	16⅞	
5⅞	2⅞	Aileen Inc			9	165	5⅝	5⅜	5⅝	+⅛
70⅜	51⅛	Air Pr Chm			14	886	64⅛	63¾	63⅞	-1½
25	16⅝	Airbne Frt	0.30	0.01	12	2470	21⅛	20¾	21⅛	+⅛
18⅞	12½	Airgas Inc			17	640	14¾	14½	14¾	+⅛
15¼	10	Airlease	2.29	0.19	6	23	12¼	12¼	12¼	-⅛
92½	88¼	AlaPw8.16				z100	90	90	89½	-½
24⅛	21⅛	AlaPw PfA				257	u24½	24¼	24½	+⅜
103	100	AlaPw9 44				z100	u1[illegible]	102½	103	
108	104½	Alab Pw 11				2	1[illegible]	106	105¼	-⅞
100¼	96	Alab Pw 9P				z100	99[illegible]	99[illegible]	100¼	
92⅞	88	Alab 8.28C				2	9[illegible]	[illegible]	90	
10¼	9⅛	AlaPwOpPf				17	10⅛	9⅝	9⅝	-⅛
25⅝	17½	Alaska Air x	0.20	0.01	26	947	22¼	[illegible]	21¾	-⅞
16⅛	10	Albany Int	0.35	0.02	68	47	13⅝	[illegible]	13⅝	+⅛

[illegible]

هذا من الأصل

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-when distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices April 23

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NASDAQ NATIONAL MARKET

4:00 pm prices April 23

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FINANCIAL TIMES Wednesday April 24 1991

AMERICA

Interest rate fears offset good first-quarter results

Wall Street

COMMENTS from the Federal Reserve chairman about interest rate policy took the shine off share prices yesterday after the market had opened firmer in the wake of some strong first quarter company results, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was up just 2.73 at 2,930.45, and then only thanks to a last-minute spurt of buying. In the morning the index had been almost 18 points ahead, but steadily receded to stand down 11 points on balance at 3pm.

The broader-based Standard & Poor's 500 moved in similar fashion, finishing a marginal 0.81 up on the day at 381.76. The Nasdaq composite of over-the-counter stocks held on to its gain more tenaciously to end 1.70 higher at 496.08.

Turnover on the New York SE remained light, totalling 168m shares, while advancing issues only just kept ahead of declines by 824 to 778.

News of a much larger than expected 6.2 per cent fall in factory orders of durable goods during March exerted a two-way pull on sentiment at the start of trading. While the figures illustrated [illegible] extent [illegible] industry's slump, they raised hopes that the Fed might reduce interest rates again to boost economic activity.

However, prices fell after Mr Alan Greenspan, the Fed chairman, outlined his view to a Senate committee that the current level of inflation did not justify further cuts in interest rates.

Among a string of companies reporting good first-quarter results, RJR Nabisco put on $⅛ to $11⅝ on turnover of over 3m shares. The tobacco and foods group announced its first quarterly profit, of $5m, since it was taken private in 1989, in the world's largest-ever takeover, via a $25bn leveraged buy-out.

The most improved [illegible] continue [illegible] come from the securities industry. Salomon rose [illegible] on revealing a doubling in first-quarter net income to a record $273m, and Morgan Stanley gained [illegible] to [illegible] on a 46 per cent climb in quarterly earnings to $120m.

The banking sector featured after Fleet/Norstar, the Rhode Island banking group, won the race to buy the failed Bank of New England. The news lifted Fleet/Norstar $3⅞ to $21⅞ in active trading, but left Bank of Boston, which had been widely tipped as the winner, down $⅞ [illegible] on turnover of 1m. BankAmerica, another possible buyer, put on $⅝ to $38½.

Talley [illegible] eased [illegible] [illegible] $6 [illegible] the [illegible] consumer products [illegible] missed $1.1m in interest [illegible]ments on two bond issues. Also lower was Bethlehem Steel, off [illegible] at $13⅞ after reporting [illegible] deficit of [illegible] for the first quarter and warning of further losses to come.

Square D advanced $2⅛ to $81⅛ on news that Schneider, the French group, said it was willing to discuss improving its $78 a share offer.

Canada

TORONTO rallied in early trading but then lost momentum to leave the composite index a modest 10.8 ahead on the day at 3,502.4.

Falls finally held a slight edge over rises, however, by 297 to 271. Volume amounted to a moderate 20.3m shares, but was above Monday's 15.9m.

Twelve of the 14 sub-groups ended higher, with industrial products, mining and energy showing moderate rises. Financial services and consumer products ended steady and golds lost 0.92 per cent.

TransCanada Pipelines, up C$¼ at C$17¼, reported first-quarter earnings of 33 cents a share, little changed from the 32 cents of a year ago.

Frankfurt waits for the dark days to pass

Andrew Fisher looks for the good news which might inspire the German stock market

THIS YEAR [illegible] fairly dispiriting for the German stock market. While the west German economy remains strong, its growth is slowing down. In east Germany, the dismantling of the old communist system is causing immense industrial [illegible] social strains. And recession abroad, coupled in the case of the US with a rising dollar, has bit deeply into export earnings.

On top of all this, the political climate has turned sour with the defeat of Chancellor Helmut Kohl's Christian Democratic party (CDU) in his home [illegible] of Rhineland-Palatinate.

[illegible] well as demonstrating that voters had lost [illegible] in the government's handling of affairs after unity – they certainly [illegible] tax [illegible] after promises that these could be avoided – the state election also removed its majority in the upper house of Parliament (Bundesrat).

Thus the Bonn cabinet could find life tougher in the months ahead, since the Bundesrat has the power of veto over legislation, including tax.

Yet the stock market outlook is by no means all gloomy. Some analysts feel the time may be ripe for foreign institutional investors to pay more attention to the [illegible] market, since it has so clearly failed to keep pace with other exchanges.

"People are underweight in a market which has underperformed," says Ms Katrin Kandell, an analyst at the London office of Sal. Oppenheim, the German bank. "They are starting to look at 1992. [illegible] has to be some positive news in the next six months."

What [illegible] that be? [illegible]tions of [illegible] bottoming out in the east German economic slump could be one element. Another could be evidence that the knocks which west German exporters have taken over the past year are becoming less painful.

Degab, the investment analysis offshoot of Deutsche Bank, recently forecast that German corporate earnings would rise by around 8 per cent next year after declines of 5 per cent in 1990 and 1 per cent in 1991; in 1989, they grew by 13 per cent.

Two sectors which [illegible] been especially buffeted by the problems on export markets, chemicals and [illegible], are [illegible]ted to show [illegible] marked improvement next year, while the surge in retail and consumer companies' profits should ease and construction, helped by the rebuilding of east Germany, should remain strong.

Germany's construction companies are currently enjoying a prolonged boom, with business in the west also vigorous. A study by the Frankfurt office [illegible] Barclays de [illegible] Wedd, the UK stockbrokers, shows that seven out of the German companies with the best liquidity ratios are from this sector. They also ha[illegible] [illegible] land and property assets, which are considerably understated in their balance sheets.

BZW's German Company Handbook gives a good illustration of the financial solidity of German corporations. Out of 138 companies covered, 58 have no gearing at all and only 21 have any net debt.

Moreover, 58 of them finance all capital spending through cash flow. Thus those with heavy future commitments in east Germany, such as RWE and Veba, the energy concerns, have plenty of scope for internal funding.

Mr Harry Christopoulos, a BZW analyst, says: "German companies have lots of assets and low gearing." Also, adds Ms Kandell, more of them are using their property portfolios for development projects, thus unlocking some of their value.

Her hope is that German companies, prompted by the demands of east German investment or the desire to ward off unfriendly takeovers, will start to pay more attention to their share prices. At present, they can lower their tax bills by salting away profits in reserves and thus understating earnings. One day, though, EC tax harmonisation may change all that.

ASSET ANALYSIS

	Company	*Land and buildings	Company	*Liquidity
1	[illegible]	52.2	[illegible]	42.1
2	[illegible]	43.1	Dyckerhoff [illegible] Widmann	39.3
3	Hornbach	40.9	Kampa-Haus	38.0
[illegible]	WERU	[illegible]	Bilfinger + Berger	[illegible]
5	Harpener	39.8	Kali und Salz	[illegible]
[illegible]	[illegible]	38.2	Linotype	32.4
[illegible]	Kampa-Haus	31.1	Hako	30.6
8	Ka[illegible]	29.4	[illegible]	28.4
9	Ka[illegible]	29.1	Strabag	[illegible]
[illegible]	[illegible]	28.2	Holzmann	27.7

*As % of Balance Sheet total at end 1989. Source: Barclays de Zoete Wedd

EUROPE

Continent registers a progressive recovery

BOURSES showed a modestly [illegible]gressive recovery yester[illegible] measured by half-hourly gains on the FT-SE Eurotrack 100 index which an improved start for Wall Street, *writes Our [illegible] Staff.*

FRANKFURT [illegible] nearly all of Monday's losses as domestic institutions and officialdom reconsidered the implications of the CDU's Rhineland Palatinate election defeat on Sunday, and as the market digested results from Daimler and Siemens (on Monday) and Hoechst yesterday.

There was also some speculation in industrials after Germany's constitutional court ruled that compensation should be paid to former owners of east German property seized under 1945-49 Soviet military occupation.

Reversing the pattern of Monday's declines, a modest rise in the FAZ index, 5.73 to 676.76, was followed by a 25.14, or 1.6 per cent gain in the DAX to 1,597.06 at the close. Volume rose from DM5bn to DM6bn, reflecting domestic institutional buying.

Daimler led carmakers up with a DM15 rise to DM695.50. Ms Barbara Altmann, of B Metzler in Frankfurt, said buyers were more interested in the higher dollar, and the big exporter's recovery prospects, than last year's fall in profits. Siemens rose DM14.20 to DM597.50 although some pundits were forecasting lower profits for the current year on Monday.

Hoechst held its DM13 dividend, [illegible] rose DM7.80 [illegible] DM264.50. Its former parent, IG Farben, the shell of the giant which grouped Germany's chemical industry before and during World War II, [illegible] DM3.20 or 12.4 per cent to DM29 on the land compensation court ruling.

PARIS started the new account on a firm footing but turnover showed no significant improvement, which raised doubts that the recovery would persist. The CAC-40 index rose 14.63 or 0.8 per cent to close at 1,781.83 on volume estimated at around FFr2bn.

Alcatel, which lost ground towards the close of the previous account, recovered FFr9 to FFr577 with 322,515 shares traded, and Peugeot added FFr7 to FFr550 with 152,925 shares exchanged. Among the second-liners, Moulinex, which is thought to have a rights issue in prospect, jumped FFr8 or 6.8 per cent to FFr125.50 with 76,400 shares traded. Carrefour went against the market, losing FFr6 to FFr3,720 following its unconvincing general meeting on Monday.

MILAN had a repeat performance of the previous day, with continued profit-taking in the insurance and banking sectors and further gains in shares controlled by Mr Carlo de Benedetti. The Comit index fell 2.82 to 593.17 in volume estimated at slightly above Monday's meagre L138bn.

Mediobanca fell L25 to L16,190 and Generali lost L200 to L37,900.

Cir, Mr De Benedetti's holding company, gained L50 to L2,660 in spite of a one-day delay in the talks with Mr Silvio Berlusconi on resolving their dispute for control of Mondadori. Olivetti, the computer manufacturer, advanced L25 to L3,870.

ZURICH mo[illegible] on [illegible] Frankfurt market, the Crédit Suisse index closing 4.8 higher at 554.8. There was some foreign buying but volume, overall, held at a modest level, reflecting the lack of movement in interest rates, and gyrations in the dollar after central bank intervention.

Among chemicals, Ciba-Geigy registered rose SFr70 to SFr2,510. The company [illegible] that the effects of the strong dollar will not show until the second half [illegible] this year.

STOCKHOLM recovered from a weak opening to close mostly unchanged after a choppy session. Share prices rose, and domestic interest rates eased, on relief that the revised national 1991/92 budget did not contain any surprises. The Affärsvärlden general index advanced 8.6 to 1,066.7 and volume rose to SKr379m from SKr264m. Ericsson was the most active share. Its free [illegible] rose SKr6 to [illegible] in volume of SKr55m.

SKF free B's were SKr0.50 lower at SKr92.50 after the company reported a 92 per cent decline in pre-tax profit in the first quarter to SKr59m, at the low end of expectations.

MADRID rose and the stronger dollar gave an extra lift to issues with ADR facilities. Repsol closed Pta45 higher at Pta2,600, Endesa gained Pta25 to Pta2,435 but Telefonica put on a mere Pta3 to Pta998. The general index closed 1.92 higher at 281.50 in low volume of Pta9.9bn, after Monday's Pta15.4bn.

AMSTERDAM was led higher by Royal Dutch which briefly hit an all-time high of Fl 159.10 before closing Fl 2.30 [illegible] at Fl 158.40. The equity [illegible] was also boosted by the good reception of the new 15-year government bond. The CBS tendency index closed 1.3 or 1.4 per cent firmer at 95.4.

OSLO continued its slide in moderate trading, with shipping the weakest sector as the all-share index fell 2.41 to 472.58.

FT-SE Eurotrack 100 - Apr 23

Hourly changes

Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1122.04

Day's High [illegible] Day's Low [illegible]

Apr 22	Apr 19	Apr 18	Apr 17	Apr [illegible]
1112.13	1122.00	1124.96	1126.20	1113.65

Base value 1000 [illegible]

SOUTH AFRICA

GOLD shares were supported by steady bullion prices. The all-gold index rose 12 to 1,044 while the industrial index closed at a new high of 3,479, up 3. The all-share index added 5 to 2,998. Vaal Reefs added R6 to R189.

ASIA PACIFIC

Nikkei recoups losses on futures-related buying

Tokyo

SHARE PRICES fell initially on news [illegible] a [illegible] company in financial trouble, but [illegible] a recovery [illegible] futures-related buying. Activity remained dull ahead [illegible] [illegible] Week holidays [illegible] when [illegible] will be open only on Tuesday [illegible] Thursday, *writes [illegible] Terazono in Tokyo.*

The Nikkei 225-share average closed up 254.56 at 26,491.57 after losing 305 points on Monday. The index started on a weak note and recorded a day's low of 26,078.31 on reports that Shizushin Lease had filed for court protection under the bankruptcy law, as a result of its extensive loans to faltering [illegible] estate companies. Invest[illegible] trusts came in as buyers at that level and the index reached a day's high of 26,568.89.

Volume picked up to 360m shares from 250m as some investors [illegible] encouraged by expectations of Y7bn worth of cash coming into the market from new investment trust funds due to be set up at the end of the week.

Declines still led gains at the close by 562 to 392, with 176 issues unchanged, but the Topix index of all first section stocks put on 6.99 to 1,982.52. In London the ISE/Nikkei 50 index eased 1.65 to 1,501.76.

Mr Yoichi Kamina at S.G. Warburg said there was no evident change in sentiment, and buying was for technical reasons. "We expect the market to [illegible] up after Golden Week, so it [illegible] not surprising that some investors wanted to buy at the lower levels," he added.

Mr John Courtney at WI Carr said investors were cautious, and did not expect a big market move until publication of corporate results which could give it new direction.

Focus moved back to large-capital stocks, depressed recently by the interest rate uncertainty. Kobe Steel rallied Y13 to Y552 and Nippon Steel firmed Y1 to Y472.

Companies which were reported to be creditors of Shizushin Lease lost ground in the morning but recovered in the afternoon. Mitsui Trust Bank opened Y30 lower at Y1,450, but closed up Y40 at Y1,510. Tokio Marine & Fire, which holds a 5 per cent stake in Shizushin, lost Y20 at the opening but closed up Y10 at Y1,350.

Nippon Yakin Kogyo fell Y40 to Y1,000 on profit-taking. The [illegible] risen recently on buy [illegible] from major [illegible] brokers, on the back of strong earnings for the current year.

High-priced shares which had been popular on favourable earnings forecasts lost ground as interest turned to big board issues. Family Mart, the convenience store chain, receded Y200 to Y10,600, and Keyence, the measuring equipment maker, lost Y200 to Y16,500.

In Osaka, the OSE average fell 287.61 to 29,269.64, its fourth decline in a row, on volume of 30.9m shares. Investors who had bought shares for the short term took profits.

New Japan Chemical rose Y30 to Y1,180. The company expects sales of its additive which raises the transparency of polypropylene to double to Y3bn for the current year.

Roundup

MAJOR EXTERNAL influ[illegible] on the Pacific [illegible] Wall Street overnight and Tokyo, were in conflict yesterday and [illegible] number of markets reflected this.

HONG KONG, which dipped to an intraday low of 3,549, was pushed briefly into positive territory by bargain hunting, but closed with the Hang [illegible] index a net 12.85 lower at 3,569.64. Turnover eased from HK$1.41bn to HK$1.28bn.

Property shares and the commercial and industrial sector posted moderate losses, while banks and utilities were narrowly mixed.

Traders were keeping an eye on the airport issue, where there is now the debate that a private sector solution to the stalemate in negotiations between the Colony and China might be bad for the Hong Kong government but good for the stock market.

SEOUL, which tested its January 4 low for 1991 of 614.60 on the composite index with a 12.72 or 2 per cent fall on Monday, rebounded yesterday with a jump of 22.23 or 3.6 per cent to 637.84. Turnover climbed too, but it was still moderate after a rise from Won91.6bn to Won142.3bn.

The market has suffered from tight monetary conditions, but there was an unofficial report of lower inflation from the Bank of Korea yesterday, and subsequent [illegible] of a loosening in monetary policy.

AUSTRALIA saw turnover rise [illegible] A$233m as the All Ordinaries index eased 2.4 to 1,510.5; a parcel of 5.66m shares in Advance Bank Australia – 9 per cent of its share capital – was sold at A$5.20 a share by ANZ Bank. Advance closed down 10 cents at A$5.10.

TAIWAN retreated 1.6 per cent and broke a five-day winning run, the weighted index sliding 91.91 to 5,732.09. BANGKOK followed Wall Street down, the SET index losing 15.71 to 893.19.

KARACHI registered record volume of 4.8m shares, up from 3.9m last Sunday when the KSE index rose 24 to 1,675. A KSE spokesman said an additional 650,000 shares were traded after hours following news of further government initiatives to boost exports and trim red tape.

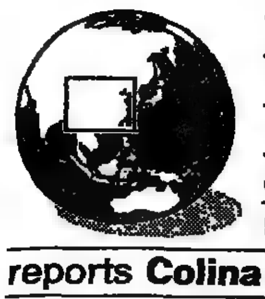
FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, [illegible] & Co., and County NatWest/Wood Mackenzie in conjunction with the [illegible] of [illegible] and the Faculty [illegible]

NATIONAL AND REGIONAL MARKETS	TUESDAY APRIL 23 [illegible]								MONDAY [illegible] 22 [illegible]					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	[illegible] Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	[illegible] Sterling Index	Yen Index	DM Index	[illegible] Currency Index	1991 [illegible]	1991 Low	Year ago (approx)
Australia (74)	[illegible]	+0.6	[illegible]	[illegible]	[illegible]	121.21	−0.1	5.67	140.58	123.15	123.87	129.07	[illegible]	[illegible]	[illegible]	131.67
Austria (19)	[illegible]	+1.1	[illegible]	[illegible]	180.20	180.06	+0.2	1.46	196.73	172.33	173.36	[illegible]	[illegible]	[illegible]	167.00	[illegible]
Belgium (60)	136.22	+0.2	116.00	[illegible]	123.37	120.94	−0.6	4.94	135.92	[illegible]	[illegible]	[illegible]	[illegible]	151.20	[illegible]	[illegible]
Canada (116)	138.31	+0.8	119.81	120.56	[illegible]	115.78	+0.5	3.42	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	131.20
Denmark (31)	234.68	+0.4	203.29	204.57	[illegible]	212.74	−0.5	1.56	233.66	204.86	[illegible]	214.72	213.90	270.56	[illegible]	243.74
Finland (21)	112.73	−1.1	97.65	98.27	102.10	98.63	−1.2	2.51	113.97	99.63	100.49	104.64	97.79	125.15	90.61	131.00
France (112)	133.38	+1.8	115.54	116.26	120.78	122.92	+0.5	3.54	131.06	114.80	115.47	120.32	122.27	152.26	121.85	163.82
Germany (88)	108.12	+2.3	93.66	94.26	97.92	97.92	+0.9	2.27	105.71	92.60	93.16	97.06	97.06	125.35	102.43	128.39
Hong Kong (46)	146.21	−0.2	126.65	127.45	[illegible]	146.26	−0.2	4.68	146.53	128.35	129.11	134.54	146.59	156.75	119.62	124.84
Ireland (16)	158.09	[illegible]	[illegible]	137.81	[illegible]	145.26	−0.2	[illegible]	[illegible]	[illegible]	[illegible]	143.87	145.60	162.46	132.86	184.05
Italy (91)	79.16	[illegible]	[illegible]	69.02	71.71	[illegible]	−0.6	[illegible]	78.57	68.82	[illegible]	[illegible]	76.50	88.23	72.05	99.46
Japan (452)	139.61	+1.7	[illegible]	[illegible]	[illegible]	121.70	+0.6	[illegible]	[illegible]	[illegible]	[illegible]	126.11	121.02	146.97	118.35	134.58
Malaysia (33)	[illegible]	−0.7	[illegible]	203.82	211.77	248.65	−0.8	[illegible]	[illegible]	206.20	[illegible]	216.12	250.08	247.78	192.83	207.04
Mexico (12)	860.43	−4.3	[illegible]	[illegible]	779.26	2822.25	−4.4	[illegible]	[illegible]	[illegible]	[illegible]	825.66	2950.69	931.33	534.45	403.43
Netherland (40)	138.55	+2.4	120.02	120.77	[illegible]	124.10	+1.0	4.19	135.32	[illegible]	[illegible]	[illegible]	[illegible]	145.73	125.70	137.27
New Zealand (14)	48.65	−0.6	[illegible]	[illegible]	[illegible]	[illegible]	−1.1	7.78	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	82.55
Norway (30)	187.41	+0.3	162.35	163.37	[illegible]	172.34	−0.7	[illegible]	[illegible]	[illegible]	164.61	[illegible]	[illegible]	223.24	182.24	225.06
Singapore (25)	201.25	−0.7	174.34	[illegible]	182.27	[illegible]	−0.6	2.03	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	208.25	151.63	182.45
South Africa (60)	203.89	+0.4	[illegible]	177.73	184.65	[illegible]	+0.0	[illegible]	203.15	[illegible]	[illegible]	[illegible]	[illegible]	206.54	173.00	179.87
Spain (41)	[illegible]	+2.1	[illegible]	[illegible]	141.68	127.17	+0.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	126.11	171.12	[illegible]	151.56
Sweden (27)	178.01	+1.7	154.20	155.17	161.22	[illegible]	[illegible]	[illegible]	175.03	[illegible]	[illegible]	[illegible]	[illegible]	204.12	146.60	185.02
Switzerland (65)	93.32	+2.4	80.84	[illegible]	[illegible]	[illegible]	+1.0	[illegible]	91.14	79.84	80.32	83.69	83.60	100.67	82.17	90.03
United Kingdom (295)	[illegible]	+1.6	[illegible]	150.26	156.12	[illegible]	+0.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	143.38
USA (524)	154.71	+0.1	[illegible]	[illegible]	140.12	154.71	+0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	154.46	[illegible]	[illegible]	[illegible]
Europe (936)	138.06	+1.7	[illegible]	[illegible]	125.04	[illegible]	+0.5	[illegible]	135.74	[illegible]	[illegible]	124.64	[illegible]	[illegible]	[illegible]	137.79
Nordic (109)	174.78	[illegible]	151.41	[illegible]	[illegible]	[illegible]	+0.0	2.10	[illegible]	[illegible]	152.69	[illegible]	[illegible]	200.61	165.55	186.78
Pacific Basin (646)	[illegible]	+1.5	120.93	121.69	126.44	122.20	+0.5	1.04	[illegible]	[illegible]	121.17	128.25	[illegible]	[illegible]	[illegible]	[illegible]
Euro−Pacific (1582)	139.31	+1.6	[illegible]	[illegible]	126.16	123.11	+0.5	2.20	137.12	[illegible]	[illegible]	[illegible]	122.50	[illegible]	[illegible]	[illegible]
North America (640)	[illegible]	+0.2	133.07	[illegible]	139.15	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	133.40
Europe Ex. UK (641)	117.29	+1.8	101.60	102.26	106.25	[illegible]	+0.5	[illegible]	115.22	100.93	101.54	105.61	105.94	[illegible]	106.65	[illegible]
Pacific Ex. Japan (194)	[illegible]	+0.0	120.02	[illegible]	[illegible]	[illegible]	−0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	111.40	126.71
World Ex. US (1770)	140.34	+1.5	121.57	122.34	127.10	[illegible]	+0.5	[illegible]	138.22	121.06	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. UK (1999)	[illegible]	+1.0	[illegible]	123.25	[illegible]	131.77	[illegible]	[illegible]	140.05	[illegible]	[illegible]	[illegible]	[illegible]	145.77	[illegible]	133.45
World Ex. So. Af. (2234)	143.77	+1.0	124.54	[illegible]	[illegible]	[illegible]	+0.4	[illegible]	[illegible]	[illegible]	125.41	[illegible]	132.92	[illegible]	[illegible]	134.04
World Ex. Japan (1842)	147.91	+0.7	128.12	[illegible]	[illegible]	[illegible]	+0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	128.69	[illegible]
The World Index (2294)	[illegible]	+1.0	[illegible]	[illegible]	130.55	133.50	+0.4	2.56	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	123.26	[illegible]

A full update [illegible] Belgian prices was unavailable (22/4/91).

CHINA



Two years after the Peking massacre, the pace of reform is still a potent and unresolved issue, reports **Colina MacDougall**. And in the fog surrounding the demise of the Communist Old Guard the only certainty is China's growin‿ sense of insecurity in a changing world

Slowly burns the fuse

Peking policemen conducting the traffic: the political directions await further clarification

Irene Stagl

PEKING [redacted] a city with an earthquake waiting [redacted] happen. Last month, [redacted] was [redacted] with seismologists reporting that the earth's [redacted] in north China had been immobile for too long.

This portended a catastrophic tremor like [redacted] 1976 which killed around a quarter of a million people in the nearby city of Tangshan and – as it seemed to traditionally-minded folk – foretold the death of Chairman Mao Zedong a few weeks later.

As it happened, there was an earthquake this March, but it [redacted] several hundred [redacted] from Peking and [redacted] so far [redacted] rocked the leadership.

The [redacted] who, though mostly without official posts, effectively rule China, cling grimly to life, according to Peking stories, by means [redacted] monthly blood transfusions and the attentions [redacted] China's most [redacted] "Qigong" (traditional deep-breathing) masters.

Their relatives, retainers and [redacted] like vultures, awaiting [redacted] which will shift the balance in the divided leadership between the aged *reformist* Deng Xiaoping and the conservatives headed by Chen Yun. Though the present jockeying depends [redacted] on personal [redacted] policy, how far to permit reform [redacted] still [redacted] potent [redacted]

The current balance between [redacted] is nicely [redacted] by the appointment [redacted] the [redacted] People's Congress [redacted] two new Vice-premiers, Zhu Rongji, mayor of Shanghai (reformist), and Zou Jiahua, minister in charge of the State Planning Commission (hardliner).

But [redacted] the near-unfathomable inter-connections [redacted] personalities and policies.

Zou Jiahua is brother-in-law to reformist [redacted] Xuanping, governor of Guangdong province. Ye, *powerful son of China's* now-dead head of state and Long March general, Ye Jianying, was also appointed to a post in Peking (though a purely formal one), apparently to remove him from his free-wheeling fief in south China where he was resisting Peking's interference.

But who is doing what to whom by these moves? Has Ye increased his power in moving to the centre or lost it now that *he's away from his home support?* Are Ye and Zou at daggers drawn because of politics [redacted] backing [redacted] of family [redacted]? If [redacted] was a loss of power for Ye to be posted to Peking, is it not the same for [redacted] Zhu Rongji? Do these appointments mean that the reformers have gained, or [redacted] hard-liners?

The one certainty in [redacted] political fog is the growing stress on security, particularly in Peking. Many provincial cities are relaxed and a fair number of the *reform* policies of the mid-1980s [redacted], if sporadically.

[redacted] in [redacted] capital, [redacted] on the [redacted] larly monitored, by video cameras, bugs or simple tailing, are local Chinese contacts with foreigners.

In March, a new top level security committee was set up under Qiao Shi, Number Three in China's party leadership and *a lifelong policeman.* Its first meeting was held just two days after the *People's Daily* published [redacted] which, [redacted], contained this [redacted] message: "Li Peng (the [redacted] premier [redacted] the Tiananmen crackdown in 1989) must be removed from power [redacted] assuage popular indignation". Reports from Hong Kong last week said the [redacted] responsible was later arrested [redacted] flee the country.

The leadership has reason to feel insecure. Xu Jiatun, a senior party member and, till last year the head of the Xinhua news agency in Hong Kong, [redacted] facto embassy, [redacted] the US. Provincial leaders such as [redacted] Xuanping [redacted] strong enough to defy the central [redacted] over [redacted] such as taxation.

Disaffection is rife in China's border territories of Tibet, Xinjiang and Inner Mongolia. While China has no problem marshalling the force to deal with this (demonstrations have been ruthlessly put down), it [redacted] the growing [redacted] in the [redacted] spiritual leader, [redacted] Dalai Lama, and the effects on its other minorities of Islamic fundamentalism and growing democracy [redacted] former Soviet empire.

The leadership [redacted] watching [redacted] Union anxiously, backing President Gorbachev because, unlike [redacted] Yeltsin, he is resisting independence for the republics.

Alarmed by Washington's military might as displayed in [redacted] looking [redacted] new [redacted] and hopes to buy some of [redacted] relatively advanced [redacted] 27 Soviet combat [redacted] months. [redacted] is likely to figure prominently in the [redacted] Jiang Zemin, China's party leader, to Moscow next month.

Peking has seen its [redacted] with the US slide since it put down the student demonstrators of Tiananmen in 1989. While the economic sanctions applied thereafter were gradually repealed [redacted] regained some standing by supporting [redacted] rather than Iraq in the Gulf crisis, its arms sales in the Middle East have earned it American fury.

This, plus its brutal handling of Tibetan and Chinese demonstrators since and its flood of cheap exports [redacted] US are making the re-confirmation of its access [redacted] Nation treatment an uncertainty for the second year running.

If Washington takes MFN [redacted], Sino-US [redacted] will nose-dive to levels not seen for nearly two decades.

Sino-British [redacted] cool in the [redacted] of the dispute over Hong Kong's proposed [redacted] airport. Germany, previously in keen pursuit of trade and investment with China, is preoccupied with the problems in its eastern half. Japan, once dazzled by the size and proximity of the Chinese market, is being actively courted by the USSR as potential fairy godmother to Siberia. China, for over a [redacted] a [redacted] with western governments, is in danger [redacted] being left [redacted] the shelf [redacted] world regroups after the collapse [redacted] Soviet communism and the Gulf war.

This comes [redacted] a [redacted] when Peking [redacted] serious domestic economic problems. Food shortages, inflation and unemployment are all [redacted] flash points [redacted] urban unrest.

In [redacted] inevitable grim comparison with the Soviet bloc, the economy [redacted] thriving, but [redacted] is probably temporary. China [redacted] had record harvests two years running, which have boosted light industry and food [redacted], but a harvest downturn is now threatened because [redacted] damaging drought in many parts of China.

On top [redacted] that, Peking's inability to deal with serious price *distortions is now coming* home to roost.

In industry, the collective and private sector is booming but the state [redacted] – the backbone of China's heavy industry – is a disaster area. More than a third of state enterprises last year made a loss, [redacted] to featherbed industrial workers (by maintaining jobs and cheap food) [redacted] to nearly RMB yuan 100bn, almost a third of [redacted] budget expenditure. The alternative to subsidies is to close factories and raise food prices, which the party leadership believes would enrage [redacted] urban population.

Reluctantly [redacted] in the leadership have had to agree to some reform as the lesser of two evils. Two small stock exchanges, plus half a dozen centres where grain prices have been freed, a proper income tax system and a move to give state factory *managers more independence* are all currently on test. The [redacted] hopeful sign in China today is that many you[redacted] officials (educated, they'll sometimes tell you, on [redacted] in unlikely places [redacted] Bath, [redacted] England) long [redacted] try these on [redacted] wider scale. If China can surmount its present difficulties, they might get the chance.

But not a lot is likely to change until the present gruesome stalemate is resolved over who in the top leadership dies first, and when.

IN THIS SURVEY

Young workers: waiting

Foreign policy is in turmoil, says **David Dodwell**

Quest for allies in an uncertain world

FOR China, as for many other countries who [illegible] decades preyed on [illegible] superpower [illegible]flict between the Soviet Union and the US, these are [illegible]ing times.

Where [illegible] the counterweight [illegible] "American hegemony", [illegible] amply and effectively demonstrated, from Peking's point of view, in the Gulf [illegible] Is Japan about to rise afresh, encour[illegible] by the US, [illegible] military force in [illegible] Pacific? How are the European [illegible] with upheavals in [illegible] Europe, altering their perceptions of Asia? And how will demands for independence by [illegible] republics in central [illegible] upset Peking's grip on Tibet, Xinjiang and Mongolia?

China's first instinctive response has been to offer succour to [illegible]. Peking cannot feel comfortable as the sole remaining torch[illegible] for [illegible]ism. Whatever [illegible] differences with Moscow over the correct path [illegible] the development of a socialist state, the wholesale discrediting of [illegible] model is of as [illegible] comfort [illegible] China as it is to Moscow.

Aggravating Gorbachev's misfortunes would only increase [illegible] chaos inside a disintegrating [illegible] would spread up to, and [illegible] China's central Asian borders, perhaps fomenting unrest in its own minority areas. By standing firmly for stronger central control, [illegible] by resorting to the military for help, Gorbachev has struck a [illegible] chord [illegible] China's leadership.

There is, therefore, powerful symbolism in China's recent SFr1.5bn "commodity loans" [illegible] – the first made [illegible] Union by its one-time protégé, and Peking's friendliest gesture [illegible] Moscow in [illegible]. Next [illegible] to Moscow by Jiang Zemin, China's Prime Minister, is also the first of such seniority since Mao Zedong went there in 1957.

Alongside the symbolic succour, there is also powerful self interest. China [illegible] keen to acquire sophisticated [illegible] military hardware, [illegible] particular Su 27 aircraft. Jiang Zemin [illegible] expected to discuss the matter while in Moscow, and a deal is expected to be signed before July.

The Gulf War has also provided [illegible] sharp [illegible] China's foreign policy planners, but in diplomatic terms has been handled with dexterity. Support [illegible] the allied [illegible] in the UN [illegible] support in Washington. Even when Qian Qichen, the foreign minister, opted to abstain in the UN vote authorising the use [illegible] against Iraq, he managed [illegible] without antagonising the allies: [illegible] Bush agreed to see him on the day following the vote, apparently against the advice of advisers. [illegible] the view [illegible] could [illegible] resolution.

At the [illegible] time, Qian managed [illegible] demonstrate through its abstention that China remains committed [illegible] an independent foreign policy, and to its support for Third World countries. He [illegible] preserved China's relationship with Iraq, [illegible] important [illegible] Chi[illegible] arms.

China is nevertheless walk[illegible] a tightrope in its [illegible] with the US, which were traumatised following the Tiananmen massacre two years ago. Qian has [illegible] that the war against Iraq was "a big hegemonist power versus [illegible] small hegemonist". The US in turn is harbouring [illegible] extensive arms trade with volatile countries in the Middle East.

For China, [illegible] Gulf War [illegible] not just a striking demonstration of US military might: it heightened anxiety over [illegible] emergence of the US as the single dominant world superpower. There is also a nagging awareness that in the post-Cold [illegible] US [illegible] China less than it used to.

American keenness to get Japan to take on a bigger peacekeeping role [illegible] the [illegible] – [illegible] particular through [illegible] larger [illegible] role – [illegible] prompts alarm. [illegible] Japan as [illegible] regional military power are painful still.

Closer [illegible] hand, conflict looms [illegible] the US [illegible] improbably-linked [illegible] and human rights. Ever since the Tiananmen massacre, the US Congress [illegible] put China's poor human rights [illegible] the [illegible]. The recent visit to the US by the Dalai Lama has heightened antagonism.

These issues have become linked with tra[illegible] since Congress opted [illegible] use the annual debate over extension of Most Favoured Nation (MFN) status to trading partners [illegible] means of punishing tyrannical governments. China argues that this is an unacceptable intrusion into its internal affairs.

US Congressmen [illegible] in turn [illegible] US [illegible] whether it gives favourable trading [illegible] to a country or not. The [illegible] that China now has one of the largest visi[illegible] trade surpluses with the US – more than $10bn last year – only [illegible] conflict.

The MFN [illegible] in [illegible] early in June. Betting men [illegible] that, after [illegible] bumpy ride, China will regain MFN privileges for another year. To [illegible] them would [illegible] to [illegible] external trade and would [illegible]age Sino-US relations.

China's response to uncertainties in relations with both the US and the Soviet Union has been to forge new friendships where possible. A [illegible] tour [illegible] European [illegible]tries by [illegible] part [illegible] strategy. Improved relations with India – which have been in [illegible] chill since [illegible] short border [illegible] in [illegible] – are likely to be symbolised by a visit to Delhi la[illegible] this [illegible] by Li Peng, [illegible] prime minis[illegible]. This would [illegible] the [illegible] visit to the Indian capital by [illegible] of government [illegible] the [illegible] Zhou Enlai in 1960.

Other significant developments include decisions over the past year by Saudi Arabia, Indonesia and Singapore [illegible] abandon diplomatic recogni[illegible] in favour [illegible] Peking. These constitute [illegible] important breakthrough in China's long term diplomatic strategy [illegible] isolating Taipei. They also reinforce China's position at the heart of the Third World community of nations, and symbolise an easing [illegible] fears in [illegible] east [illegible] expansionist communism.

[illegible] improvements give much-[illegible] solace [illegible] China nurses anxiety [illegible] the global power balance, but [illegible] nothing to alter the country's reflexes in times of uncertainty. As Li Peng emphasised only [illegible] ago: when "the [illegible] global structure has disintegrated", the priority must be to "rely on ourselves, work hard, and build the nation through [illegible] and diligence".

Changing the guard in Peking's Forbidden City: concern over the global realignments

Guangdong eyes Hong Kong

Two economies that overlap

WHEN Mr Ye Xuanping vacates his post as the liberal governor of the southern province of Guangdong to take up a less powerful post in Peking during the next few months, an almost revolutionary dream which he [illegible] believed [illegible] have [illegible] to write into [illegible] eighth five-year plan may go with him, [illegible] at least be diluted. It is to merge the economies of Guangdong and Hong Kong.

There [illegible], however, strong opposition from hardliners [illegible] Peking who disapprove of Guangdong's independently free-wheeling market-oriented ways. Hong Kong also has serious reservations, partly [illegible] not want to endanger its current autonomy, nor make it [illegible] for China to renege on its pro[illegible] of a "high degree of au[illegible]" after 1997.

"There are, of course, problems of our different econ[illegible] systems and I would not talk about [illegible]ing the economies, but we would like to have some sort of planned development," [illegible] Mr Yi Zhenqiu, director of the Guangdong [illegible] of Economic Systems Reform. He envisages the creation of a Hong Kong-Guangdong economic and [illegible] promotion [illegible] act as an industrial investment "match-maker".

In the [illegible] decade, Guangdong, which has a population [illegible], has become China's most open [illegible] prosperous province, thriving on close economic links between its Pearl River Delta area with Hong Kong. [illegible] workers in the province are employed in factories processing partially-manufactured foreign goods (mostly from Hong Kong) [illegible] re-export, and another 1m are in associated activities.

As many as 50,000 technical and managerial staff from Hong Kong work regularly in China, a lot of them in Guangdong, and 15,000 vehicles cross the land [illegible] day, four times as many as six years ago.

[illegible] that 20 per [illegible] more [illegible] Kong's currency is openly circulating in Guangdong tourist and business outlets.

This co-operation [illegible] good for both areas. Hong [illegible] companies have gained access [illegible] cheap labour and [illegible]tory premises.

Guangdong [illegible] benefited [illegible] consequential wealth and economic expan[illegible]. Foreign investment totalled some $7bn during the 1980s, 90 per cent [illegible] Kong.

It went into more than 10,000 joint ventures [illegible] enterprises, [illegible] involving [illegible] industry, [illegible] thousands of the processing factories. The productive end of this investment has suddenly come on stream during the past two years, [illegible] that [illegible] 30 [illegible] cent of both Guangdong's [illegible] 189bn industrial output and its yuan [illegible]bn industrial exports [illegible] year were generated by facto[illegible] with foreign involvement.

But there has been a price to pay in social [illegible] because hundreds of thousands of people regularly pour into the province looking [illegible] work. [illegible] make up a floating labour population of more than 1m in the processing factories; others cannot find work and fuel a [illegible] wave of armed robberies and prostitution.

Guangdong [illegible] most Hong Kong [illegible]men only cash in on the cheap unskilled processing factory labour. They rarely lay down

Hardliners dislike Guangdong's freewheeling tendencies

significant long-[illegible] industrial investment and look [illegible] for [illegible] technology.

Some labour processing fac[illegible] do develop into joint ventures and [illegible] become more permanent investments.

But relatively little progress has been made [illegible] creation of [illegible] technological [illegible] indus[illegible] base in relation to [illegible] economic growth, which last year amounted to 16 per cent. The new five year plan includes projects which should help by improving [illegible] electricity power supplies and [illegible] and rail transport and by creating three petro-chemical plants. The capital of Guangzhou also wants to boost its service sector by admitting two new foreign banks and by setting up a stock exchange.

Problems such as these prompted the idea of somehow [illegible] the economies [illegible] Guangdong would benefit more, and Mr Ye also talked about relaxing restrictions on the entry of goods from the colony into Guangdong's most [illegible] special economic zone of Shenzhen.

"We have not yet put for[illegible] any firm policies to [illegible] but we would like to [illegible] using [illegible] Kong money to help finance raw materials plants. We also have scientific ability which could be used to help Hong Kong industries develop high technological products," says Mr Yi, floating an idea which has yet to catch [illegible] in [illegible] Kong.

John Elliott

While crushing all dissent, the regime is split on many issues, writes **Lynne Curry**

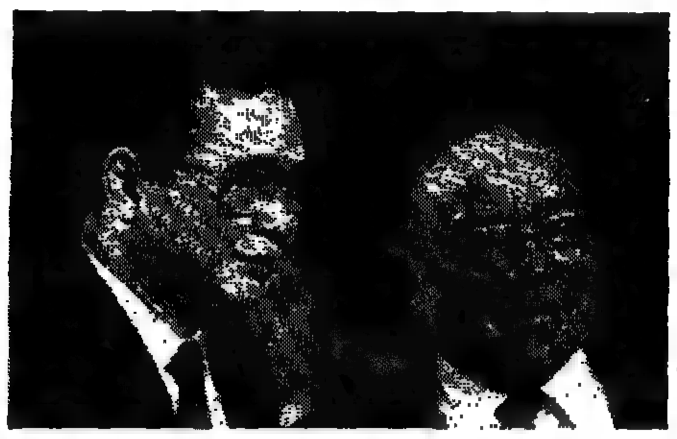
Rivals wait as the Old Guard slowly crumbles

AS the second anniversary of the crackdown at Tiananmen Square approaches, the Chinese leadership [illegible] its authority over [illegible] sullen but [illegible] population. However, the government [illegible] intractable problems, [illegible] pounded by acute factional infighting which has produced a deadlock on important decisions [illegible] policies and personnel.

Adding to the uncertainty is the advanced age and frail [illegible] country's [illegible] powerful leaders, 86-year-old Deng Xiaoping, 83-year-old economic theorist Chen Yun, and 84-year-old president Yang Shangkun. [illegible] their age, many [illegible] a (succession struggle is already underway. "There is nobody in [illegible] younger leadership [illegible] has a decisive say on policy decisions," says a western dip[illegible]. "All are jockeying for position , but they are holding back. The active phase – when Deng is dead or incapacitated – hasn't arrived."

The Chinese leadership [illegible] a collection of interlocking, overlapping, yet distinct factions, now uneasily balanced, but [illegible] to frequent conflicts, depending on long term interests, connections and personal relationships. Dominating the leadership today are octogenarians Deng, Chen, and Yang. Long-time comrades and rivals, [illegible] has independent power networks stretching back [illegible] years.

Today, each [illegible] revolutionaries [illegible] younger proteges whom they [illegible] culti[illegible] future. The [illegible] at the [illegible] is [illegible] Li Peng, [illegible] patron [illegible] Chen Yun. Since the massacre in [illegible] Square, with which he [illegible] closely associated, Li's stature has as a consensus maker, an economic thinker, and politician.



Premier Li Peng and President Yang: generation game

Although he is not Deng's chosen man, observers say [illegible] is a leader [illegible] whom [illegible] can work.

The premier [illegible] identified himself with improving the country's economy and can [illegible] for reducing inflation and turning around China's balance [illegible] payments.

The party knows that it must improve living standards to survive

But he has not [illegible] the country's basic structural problems, and if [illegible] ters, he could become the scapegoat. Moreover, [illegible] is still tarnished by his [illegible] with the Tiananmen Square [illegible].

Jiang Zemin, secretary-general of the Commu[illegible] Party, is widely [illegible] Deng's protege. Formerly Communist Party secretary in Shanghai, he was promoted by [illegible] party after Zhao Ziyang was ousted in May 1989. "He's [illegible] crown – all he has to do is maintain it," [illegible] western diplomat says.

Others to watch are Shanghai mayor Zhu Rongji, Ye Xuanping, the [illegible] Guangdong province, both considered reformists and Li Rui[illegible], former [illegible] of Tianjin [illegible] now a politburo member, who is a middle of the road figure. At a meeting of the Chinese parliament in [illegible] March [illegible] in early April, both Zhu [illegible] Ye were given new [illegible] the central government in Beijing, with Zhu approved vice premier and Ye as vice-chairman the Chinese people's consultative conference, an advisory council to the government. While they may differ on many policy issues, virtually the entire leadership is said to have agreed on the need to put the massacre of June 1989 behind them.

Closing the book on Tiananmen Square is thought to be the reason for a series of trials this past winter in which about two dozen prominent activists were sentenced to terms of up to 13 [illegible] on [illegible] ranging from counterrevolutionary propaganda and [illegible] to sedition.

The trials and the muted public reaction to them demon[illegible] the [illegible] of the government's campaign [illegible] repression. With nearly all [illegible] the student [illegible] participated in the demonstrations of spring 1989 having fled abroad, here in China the dissidents lack a broad based movement. So few are in prison that they are unlikely [illegible] lightning rods of [illegible]. However, should opposition erupt again, these proceedings will be used as [illegible] those voicing discontent. United as the leadership may be on the need [illegible] quell dissent, it remains divided on many [illegible] issues, such as disputes over [illegible] reform, the power balance between the central government and the provinces, and the question [illegible] to emphasise coastal development rather than channelling investment towards the more back[illegible] interior.

The most [illegible] problem is economic reform. The party recognises that staying power rests upon [illegible] ability to provide a higher standard of living and more consumer goods. How[illegible] that requires correcting [illegible] problems, [illegible] as eliminating inefficient, overstaffed and money-losing state enterprises, stimulating a largely unmotivated work force, and preventing the waste of precious raw materials.

But any meaningful effort to deal with these problems could erode the party's authority and eventually lead to its downfall.

While the power of the 45m-50m member communist party is still strong, public enthusiasm for orthodox Marxism-Leninism has already been seriously eroded by a decade of market[illegible]. With traditional Chinese social values having also been destroyed by the communists, many Chinese have been put off by the attempt [illegible] revive ideological indoctrination [illegible] Tiananmen Square massacre.

[illegible] even turned [illegible] religion. [illegible] the party has sanctioned this to a limited degree, the authorities are thought to fear that the revival of religion creates a competi[illegible] view.

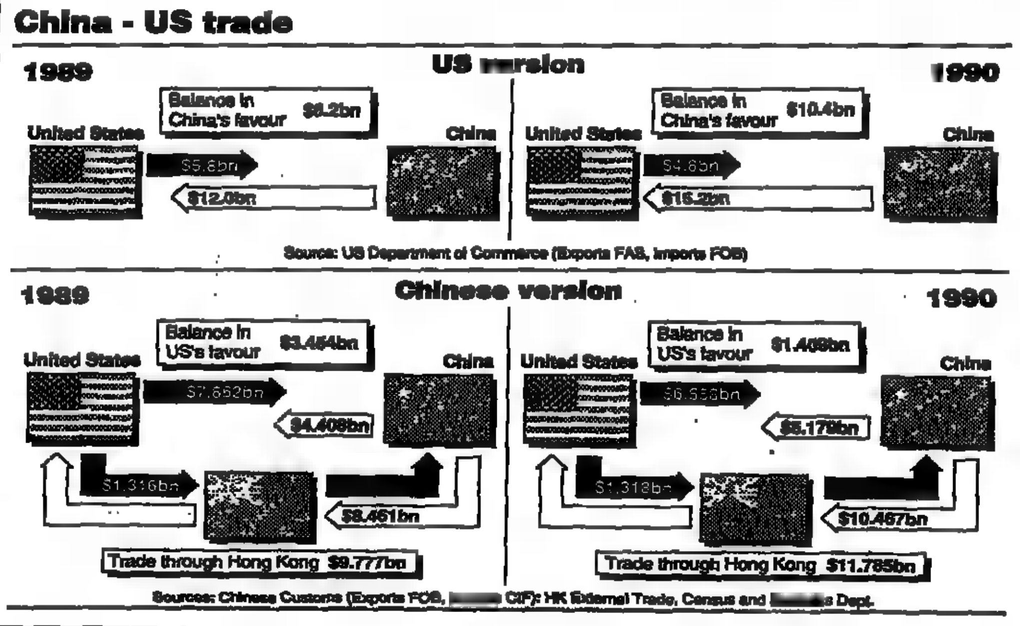
[illegible] now join [illegible] party now are primarily [illegible]tunists. Apart from this [illegible] for hearts and [illegible], the [illegible] of the military will also be critical in the succession struggle. The composition of the various factions within the armed forces is not entirely clear, but certain issues have emerged that are challenging [illegible] to its core. [illegible] is the debate [illegible] whether military modernisation should take priority over ideological indoctrination.

Yang Baibing, the secretary general of the central military commission, [illegible] to have spearheaded the [illegible] re-politicising the PLA. Apart [illegible]tion, questions [illegible] raised about the military's role in internal security. [illegible] feel the army should have [illegible] last resort in the crackdown at Tiananmen Square. After the [illegible], the army was reor[illegible] and regional com[illegible] loyal to the forces of Yang Shangkun [illegible] charge.

However, it [illegible] which group the military will support once the octogenarians begin to die.

Until Deng leaves the scene, [illegible] leadership [illegible] in a political gridlock, unwilling to take risks to face the [illegible].

China - US trade



The [illegible] complains [illegible] China has [illegible] $10.4bn visible surplus on its [illegible] with [illegible] US. It says that only Japan and Taiwan maintain larger surpluses. [illegible] a result, US officials [illegible] pressing China [illegible] import more from the US.

However, China [illegible] that [illegible] is [illegible] or less in balance, [illegible] a $1.4bn surplus in [illegible] favour [illegible] 1990.

One must look to Hong Kong to understand this startling difference. The US [illegible] figures include imports [illegible] colony en [illegible] China to the US, and [illegible]. But China regards its [illegible] to [illegible] Hong Kong [illegible] exports [illegible] Hong Kong. [illegible] products entering China from [illegible] colony are [illegible]n as imports from Hong [illegible]g, not the US. [illegible] ready [illegible] accounting practices.

هكذا من الاصل

Concern rises over state of economy, writes Colina MacDougall

Time bomb ticks

CHINA could face economic disaster in a year or two, even though, in contrast with the tired old economies of the former Soviet bloc, it is superficially prospering.

Wang Bingqian, the finance minister, speaking at the National People's Congress in March, for the third year running called the financial situation "extremely grim".

Unless Peking can work a near-miracle, inflation will take off, workers will demonstrate on the streets and the house of cards built on subsidies that is China's current economic structure will collapse. Since even Peking's conservatives recognise the dangers, the leadership is moving with reluctance towards cautious reform.

Small experimental reforms are springing up all over China on a strictly local basis, such as the introduction of stock exchanges in Shanghai and Shenzhen. Officials such as vice-governor Ma Lin of Sichuan province enthuse about the "ideal way" a stock exchange raises investment funds. Secondary markets for state bonds, previously confined to Shanghai and Chongqing, have been successfully launched elsewhere.

Housing reforms are easier with new accommodation

Deregulation of grain prices, as in Guanghan near Chengdu, capital of Sichuan, is happening on a trial basis. This follows price rises last year in previously tightly controlled items such as cooking oil and cotton cloth.

The yuan was devalued on April 10 for the third time in 16 months, bringing it to yuan 5.26 to the dollar from the late-1989 figure of yuan 3.72. Foreign bankers in Peking were expecting a further cut of about 10 per cent.

A kind of convertibility increasingly functions through the Foreign Exchange Adjustment Centres, where joint ventures can trade foreign exchange freely at a market rate. Some housing reform, which either encourages tenants to buy their apartments or permits enterprises, the main providers, to set up separate self-financing corporations, is already under way, though this is proving easier with new housing than apartment blocks inhabited through several generations at peppercorn rent.

Insurance-based pensions, health services and social security payments are also on the agenda as devices to lessen the load of the over-burdened state enterprises which currently provide them. This would allow enterprises to sack workers and focus on the profitability of their core activities.

But there is no sign yet that Peking will bite the bullet of abolishing subsidies which featherbed the industrial worker and cripple state finances. Nor will it adopt a true price reform, adopting a market system which would help to allocate resources correctly and cut waste.

Yet an apocalyptic scenario is hard to believe when the streets are orderly, markets appear to be booming, new office blocks and hotels adorn Peking and provincial capitals and the shops are full of the latest electronic goodies.

Last year, China turned in a creditable economic performance with a record harvest of 435m tonnes and a respectable GNP and industrial growth rates (5 and 6 per cent respectively). Foreign trade was up, with exports performing well.

But, said one westerner in Peking, "China is still living on the impetus of the mid-1980s. While major reforms have not been rolled back, the innovations are minor. Two years of good harvests have given economists a chance to push for small reforms, but this year's weather is less promising."

When Li Peng, the hard-line premier, took over economic management from Zhao Ziyang, the now-disgraced former party leader, in late 1988, fundamental reform was effectively shelved. But the policies then applied (mainly an administrative price freeze and credit controls) did nothing to solve China's huge underlying problems of suppressed demand and inefficiency.

Potential inflation is still ticking away under the surface, fuelled by China's growing deficit financing and subsidy policy. In 1990, Wang Bingqian told the recent Congress that the budget deficit was, according to Chinese accounting (which reckons government borrowing as revenue), yuan 15bn. This was bad enough by Chinese standards, but when adjusted to reflect normal practice was much worse at yuan 48bn.

On top of that, nearly a third of the yuan 340bn budget expenditure went on subsidies. The central government forked out nearly yuan 58bn to the loss-making state sector plus another yuan 38bn in individual subsidies to compensate for price rises.

Peking is short of money anyway because of its revenue sharing system. Under the existing semi-reformed fiscal structure, a fixed tax amount is paid by enterprises to local authorities who then hand only a percentage to Peking. Not only is Peking's slice relatively small (a source of serious dispute with provincial leaders) but the fall in state enterprise profits last year (58 per cent) meant less for everyone. This is likely to get worse since more inflation is on the cards for this year. In 1990, credit estimated at yuan 250-290bn was pumped into the economy to fuel industry after Li Peng's inexpert 1988-89 freeze caused near-collapse. This enabled the government to meet its industrial growth target for the year, but bodes ill for the future.

Meanwhile, subsidies paid to workers continue to rise. This is seen as essential by the unpopular leadership, which is deeply concerned to keep the urban workforce happy and loss-making factories open. Wages are also rising – up by over 18 per cent in the last quarter of 1990 compared with the same period of 1989.

Protected by Peking's reluctance to implement its bankruptcy laws, state-run industry is growing more inefficient by the hour. Mostly old and badly run, it is responsible for what Li Peng, in his report to the NPC, called the "high consumption in production, low product quality, enormous waste in construction, slow capital turnover, low labour productivity and serious losses".

Attempts at change are hampered by the post-Tiananmen commitment to ideology. At the top are leaders determined to avoid the fate of the Ceausescus by exerting party dominance. Li Peng made a special point of stressing Marxist-Leninism in his report, though he had to signal for applause during his three-hour speech by shouting his words to the dozing delegates.

State-run industry is growing more inefficient by the hour

Still, a kind of compromise has been reached between the hard-liners and reformists which is evident in China's new plans. Five-year programmes (1991-95) and ten-year plans to cover the years to the end of the century set out Peking's intentions in traditionally imprecise style. The main focus is to be a move to give state managers more powers to deal with inefficiencies, the improvement of infrastructure and some expenditure on new special economic zones such as Pudong in Shanghai.

But the unhappy history of Chinese five year plans (most have been overtaken by political upheavals before completion), inspires little confidence. If this one avoids that fate (unlikely, in view of the extreme age of Peking's key leaders), inflation may destroy it.

Farmers prepare for a year of lower harvests

Weather has the last say

"CHINA'S harvest last year was the best in history, but it won't be so good this year", says Mr Zhang Shaogong, of Peking's agriculture ministry. A serious drought gripped north China through last winter, and though snow fell in March the year's total may fall short of last year's.

Drought has affected areas in the south, too, and these will need heavy spring rains to replenish water supplies.

As a result, the summer-harvested crops – which make up a third of the annual total – will definitely not reach last year's peak, and the autumn harvest is unlikely to fill the gap. This can only aggravate China's other economic difficulties.

Unpredictable weather explains why Peking's leadership is permanently concerned over agriculture. "Last year, the rains came when the crops needed it. We dare not count on such weather again", comments Mr Zhang. "Experience shows we only get two good years in five."

All agricultural sectors shone in 1990. Cotton output rose by more than 18 per cent to 4.47m tonnes, and oilseeds, which in the form of cooking oil provide an indispensable part of Chinese cuisine, by nearly 25 per cent to 16.2 m tonnes. Meat, milk, fruit and sugar crops, increasingly adding protein and diversity to the diet, were up substantially.

But all this plenty, especially of grain (435m tonnes), brought serious headaches.

At the end of last year, tens of millions of tonnes were being kept in the open air, twice the amount lying outdoors at the end of 1989, said Bai Meiqing, vice-minister of commerce, last month. Damp and pest-ridden grains were up by a quarter and a third respectively, he noted.

Because of cash shortages last year (the consequence of China's nationwide financial difficulties), Peking's commercial departments could not afford to buy more than the set quotas for storage, and the peasants were left with grain they could not sell. This surplus is a strong disincentive to growing more this year.

Currently the state makes contracts with the peasants to buy 50m tonnes of grain yearly at a fixed price and in return supplies subsidised farm chemicals and fuel. But since 1988 official policy has put pressure on peasants to grow as much as they can, though without providing the cheap inputs to facilitate it. Disappointed, many are now out of pocket.

David Dodwell

Stocking up with subsidised grain in a small Sichuan township, before the subsidy's experimental removal on April 1

As a result, said vice-premier Tian Jiyun at a conference in March, the peasants last year won no extra income and some even sustained a loss. "Our farmers are getting poorer", says Ma Lin, vice-governor of Sichuan province.

Peking is right to be concerned over feeding its huge population. The question is whether this concern is being demonstrated in the right way. The return to individual farming (the so-called "household responsibility system") brought the enormous surge in farm production in the early 1980s, but, in tune with the post-Tiananmen stress on control and ideology, the collective is now back in vogue.

In any case, some western diplomats argue, China is worrying about the wrong things. There is no need to stress higher grain output since enough other foods are now produced to keep the country reasonably nourished. Allowing market forces to operate more instead of less would bring better returns.

At least the central government is taking one sensible new approach. There is a fresh emphasis on purchase and marketing which may enable China to distribute grain more effectively.

Peking has set a production target of 450m tonnes of grain by 1995 and 500m tonnes by the year 2000. This will be achieved by "improving" (how is unspecified) the household responsibility system, upgrading services to farmers, stepping up the collective element in rural management, streamlining food distribution and increasing agricultural investment.

The quality of the land itself is under scrutiny. China has many hectares of marginal land which will be the target of investment over the current five year plan. "Production bases" in which Peking will invest yuan 10 bn are being set up for grain and cotton, and more grain markets will be established.

Some scepticism is in order here since, from the 1950s onward, in its more apocalyptic moods Peking has urged the development of marsh and mountainside. Similarly, grain markets have been on the agenda ever since the mid-1980s, but without so far performing.

Today, however, there is hope since China is more aware of the environmental damage which may result from unwise cultivation. But optimism is not reinforced by the statement of Song Ping, one of China's top six leaders on the Politburo Standing Committee and its chief Marxist-Leninist guru, at a recent agricultural conference, that "Using socialist ideology to arm the cadres and people of rural areas and guiding the 800m peasants to firmly take the socialist road are the basic assurance for doing a good job in rural work."

This old-fashioned hard-line policy is reflected in the Central Committee's recent order that the grassroots bureaucracy be improved, first and foremost the party branches. Socialist ideology and spiritual construction should take the lead. This is a far cry from Deng Xiaoping's slogan "It is glorious to get rich!" promulgated just a few years ago.

China would do better to forego attempts to organise its vast rural territories and simply free the prices paid for farm products, argue some western diplomats.

The market principle would soon beget a higher output and a better distribution system. But this seems unlikely to happen in the present political climate. Minor experiments in freeing the price of grain are in progress, for instance in Guanghan county in Sichuan province, but transfer to wider arenas does not seem likely yet.

The big success of rural China is the town and village enterprise sector. This grew up in the heady days of the economic freedoms of the early 1980s, when farmers were encouraged to set up small businesses. The total value of rural output last year reached yuan 1.625 bn, of which nearly 55 per cent was generated by local enterprise.

This is recognised nationally as the single most important factor in raising the standard of living and even the hardest-liner has so far shown no sign of trying to roll it back.

It is a pity Peking cannot apply the same successful principles to food production and sales, which would obviate the need for the new stress on village control.

Colina MacDougall

David Dodwell on China's need to guard its trade and investment

US Congress holds the key

MENTION MFN to Peking's trade officials and you get a beneficent smile and a glib "No problem". Mention MFN in Hong Kong or Guangdong, and you see sweat on the temples.

By June 3, President Bush must agree to renew for another year the Most Favoured Nation status that assures China low-tariff exports to the US. Signs are that in spite of deep reservations, President Bush will agree. But within the following 60 days, it is likely that the US Congress will summon the two thirds majority it needs to veto the renewal. All will then hang on a Senate vote.

In spite of complacency in Peking, the consequences of losing MFN status would be grave for China.

Exports to the US would fall by at least 50 per cent, according to the American Chamber of Commerce in Hong Kong. Guangdong province, with most at stake, would lose about $2bn in exports, with over 1m workers losing their jobs. Guangdong's GDP would slump by 10 per cent.

Describing the "deadly impact" of losing MFN privileges, Mr John Kamm, then President of Hong Kong's American Chamber of Commerce, told Congressional hearings last year: "The open coastal provinces and cities – the China of reform – will be hard hit. Their leaders – supporters of the deposed party secretary Zhao Ziyang – severely undermined by rapid falls in living standards which owe much to export earnings."

This evidence, which played an important part last year in persuading US congressional critics of China to renew MFN status, is about to be replayed in Washington. If anything, the mood is even more grim. Regrets in the wake of the Gulf war over the price paid for supporting Saddam Hussein over past decades have prompted US leaders to toughen their stance against regimes they regard as tyrannical.

Protectionist sentiment in the US has also hardened. China admits a trade surplus with the US, even though it does not acknowledge that a large proportion of China's re-exports through Hong Kong are in fact exports to the US.

An array of administrative measures in China to trim imports have also aroused Washington's anger. They were introduced to tackle rampant inflation inside China, as well as to shore up foreign exchange reserves ahead of a debt-repayment peak in 1992-93.

The result has been to give China its first visible trade surplus since 1984. Exports rose 18.1 per cent in 1990 to $62bn, while imports fell 9.8 per cent to $53bn. A surplus on invisibles boosted the current account surplus to $13.1bn.

While textile exports have struggled against competition particularly from Pakistan, and petroleum exports have slipped because of mounting domestic demand, China is expected to retain a strong competitive advantage in coming years in the export of consumer electronics – including TVs, radios, microwaves and computers – and in pharmaceuticals and machine tools.

Tourism has also begun to recover after Tiananmen. After a 23 per cent slump between 1988 and 1989, more than 27m tourists visited China last year, a 12 per cent improvement on the year. Tourism revenues have recovered to the 1988 level of $2.2bn after a 20 per cent fall in 1989.

Perhaps to the alarm of Peking's more conservative economic planners, international trade has risen in importance to assume a considerable significance in the domestic economy.

Foreign investment flows have played a parallel role to trade. Peking says foreign investment amounted to a record $6.57bn in 1990, a leap of 17.3 per cent from 1989. Since both Japan and the US say their investment was down, the impetus came largely from Hong Kong and Taiwan.

Even more encouraging from Peking's point of view is that hotel and property deals – which accounted for a large share of investment through the 1980s – have slumped. According to the Ministry of Foreign Economic Relations and Trade, about 90 per cent of investment last year was in manufacturing, regarded as being of much greater intrinsic benefit to the economy.

In a bid to attract more high technology investment, China has set up 27 new high-tech zones across the country, lifting the total to 38. Foreign investors in the zones will pay just 15 per cent income tax – compared with the standard rate of 33 per cent. If they export 70 per cent of their output, tax falls still further to 10 per cent. The government's aim is to boost high-tech output value from the current level of RMB7bn to RMB25bn by 1996.

Prospective investors nevertheless continue to complain that doing business in China remains testing. Many fail to anticipate how many years it can take to conclude a deal.

Equally commonly, "cheap" labour can become expensive when undisclosed bonuses and subsidies are added. A lack of control over land-use fees, energy costs, or provisions for infrastructure can also provide nightmares for financial controllers back at company headquarters.

These and more general factors point towards a bleaker investment climate in the early part of the 1990s: the higher priorities of reconstruction in the Gulf, forging links in eastern Europe, or simply battening down against domestic recession, mean that many traditional western investors will not be running hotfoot to China.

However, strong and ongoing investor interest from Hong Kong and Taiwan in China's south, and perhaps from Japan and South Korea in the north, may help to insulate the country from an otherwise more difficult foreign investment climate.

Either way, whether Peking's conservative leaders like it or not, China's doors to the outside world have been firmly opened. The importance of trade and investment to the national economy is now so great that the price of closing the doors is probably too high to contemplate. This in the longer term has to provide reformers with confidence that economic trends will eventually play into their hands.

Pudong: gamble for growth

A NEW word has appeared on the lips of almost every Chinese official discussing the country's hopes for the future – Pudong, writes John Elliott. It is the name of a 350 sq km area of Shanghai, China's second city, which is to be developed over the next 20-30 years with a series of special industrial and trade zones.

But Pudong – or Pudong New Area as it is called – is not just for Shanghai. Backed by the country's top leaders, it is the symbol of China's plans for economic development into the next century.

Dong means east and Pu is an abbreviation for Shanghai's Huangpu River, so Pudong lies on the eastern bank of the river across from the current city centre.

Mr Zhu Rongji, the city's mayor who has just been promoted to be a vice premier in Peking, is the driving force behind the development which was announced last year. Some yuan 12bn projects are planned but total expenditure could reach yuan 30bn.

"Pudong will be a place for experimenting in new policies which maybe we can later apply elsewhere in China," says Mr He Gaosheng, director of the Shanghai Office of Economic System Reform. "It will not be capitalism but we will bring market mechanisms into a planned economy, with public ownership remaining the mainstay. With Pudong we can develop the whole of Shanghai and promote development throughout the country."

But it is difficult to envisage the plans materialising. At present Pudong, which lies between the Huangpu and Yangtze rivers, is an uninspiring area of broken roads, 2,000 (mostly small) factories, ramshackle chemical and gas plants, shabby flats, and traditional-style houses.

The aim is to double the present population of 1m. The yuan 12bn expenditure will be spread over five years or longer on a free trade zone and 10 infrastructure projects, some already started, including a four-berth deep water port, two major river bridges, an 8km inner ring road, and new plants for water, electricity, gas and sewage treatment.

Officials say yuan 5bn will come from Peking, yuan 4bn from domestic bank loans, and yuan 3bn from the Shanghai government. They are looking for foreign finance – for example from the Asian Development Bank – but do not expect substantial international investment until the infrastructure projects are completed.

Currently there are about 40 factories with foreign investment. They include one of China's most successful joint ventures – a float glass plant started with Pilkington of the UK four years ago when Pudong had no special significance – and a $25m agricultural chemical plant planned by Du Pont.

A showpiece multi-storey financial and trade centre is to be built across the Huangpu River from the old Bund (or promenade). This is intended to help Shanghai's drive to boost its service sector from 30 per cent of GNP.

China's first foreign-owned wholesale and retail businesses are also to be admitted – Yaohan, a Hong Kong-based Japanese department store group, plans a HK$780m joint venture to open in 1995. An area has been designated for an international airport.

It is difficult at this stage to assess how much of the grand Pudong scheme will actually materialise. But whatever happens in the longer term, Shanghai will at least benefit from the infrastructure projects.

State industries losses spiral out of control

Central planners who cannot let go

DAVID DODWELL examines the parlous state of Chinese industry and its continuing decline

CHINA'S state industry is in a parlous condition. Everyone from premier Li Peng, through finance minister Wang Bingqian to the State Statistical Bureau is in agreement on this.

But the narrow gap between listing industry's failings to formulating solutions seems to be unbreachable since the leap involves espousing market forces and dismantling control over giant industrial machines that have for decades been the focus of political power and patronage.

According to the State Statistical Bureau (SSB), more than one third of China's state enterprises – which employ 50m of the country's 150m urban workers – are making losses. Wang Bingqian, finance minister, noted in the recent National People's Congress that the government spent the equivalent of $11bn in 1990 subsidising state factories, with another $7.3bn spent on price subsidies for workers.

Noting that more than one third of the government's budget is now consumed by subsidy payments, Wang admitted that enterprise losses "have already reached the point where the state treasury cannot sustain them." Urgent needs to improve housing, medical care and the country's rudimentary welfare system – not to mention modernising industry – are being preempted by the political imperative of keeping state factories on life support machines.

While the gross value of industrial output (GVIO) rose 7.6 per cent in 1990, the impetus for growth came from light industry (+9.1 per cent), private industry (+21.6 per cent) and joint ventures (+56 per cent). State industry lifted output by 2.9 per cent, according to the SSB.

Even these figures mislead, since much of the rise in output was fuelled in the middle of 1990 by a bank lending spree that was intended to lift output to the level that would allow the central government to argue that state plan targets for the five year plan ending last December had been met. Much of this additional output went straight on to stockpiles – which increased by RMB 30bn in 1990, according to the SSB.

While state enterprise losses doubled from 1989 to RMB 28bn, profits fell 58 per cent, and government tax receipts from state industry fell 18.5 per cent between 1989 and 1990 to RMB 127bn, the SSB said. Over the five year period from 1985-1990 the economic return on every RMB 100 of working capital fell from RMB 23.8 to RMB 16.8, while profits fell from an average of 11.8 per cent to 6.3 per cent.

The present leadership talks of the need for reform, but appears unable to accept the loss of central control that would follow. Leaders are also traumatised by a fear that the upheavals inevitably associated with root-and-branch reform would foment political rebellion.

Small steps have been taken: the price of basic inputs such as coal, steel and electricity is being raised closer to real market prices. A rudimentary and confused tax system has begun to give companies more independence to invest profits as they think best. A free market in most goods is beginning to grow up as companies are allowed to sell for themselves goods produced above plan commitments.

Collective and private enterprises have also come to play a bigger part in the economy, particularly in the coastal provinces and southern China, reducing the political clout of state enterprises, as well as their dominant impact on the national economy. However, there is cold comfort in this growth, since many of these collective enterprises have little intrinsic economic value, thriving mainly because of the monstrous inefficiency of the state industrial machine.

The World Bank, in a recent analysis of China's economy*, praises the government's success in progressively increasing production of industrial raw materials such as oil, coal and steel, but then argues that none of this massive investment in raising output would have been needed if industry used these materials more efficiently.

It points to "high energy and steel dependency" that is a result of being sheltered from external competition, being technologically backward, using obsolete capacity, and achieving very low productivity. Instances had been found of factories producing one-thirtieth of the output possible using more efficient technologies.

Staff at Wuhan Iron & Steel, one of the country's leading high-quality steel makers, endorse this view. They say only 25 per cent of China's 66m tonnes-per-year steel output is usable in modern industry.

"Heavy industry absorbs far too much capital," the World Bank says: "It provides below average returns, and its appetite for energy is one of the root causes of chronic shortages.

"By targetting machinery and metal industries for promotion, China will starve more deserving sectors of capital, perpetuate an artificial shortage of investment funds in a situation of resource availability few countries can rival, and limit its growth potential.

"The quantum of investment alone is not enough."

Rather than spend more on power generation, the government should spend on replacing old and power hungry machinery, the Bank says: rather than pay subsidies for factories to produce for stockpiles, government should spend on redeploying workers in new and more efficient factories.

Enterprise reform is at the heart of this debate. For western economists, this means plant closures on a significant scale, and willingness to allow market forces to sort the survivors. Peking's central planners have preferred to investigate "enterprise groups", where profitable companies absorb chronic loss-makers with the aim of turning them round.

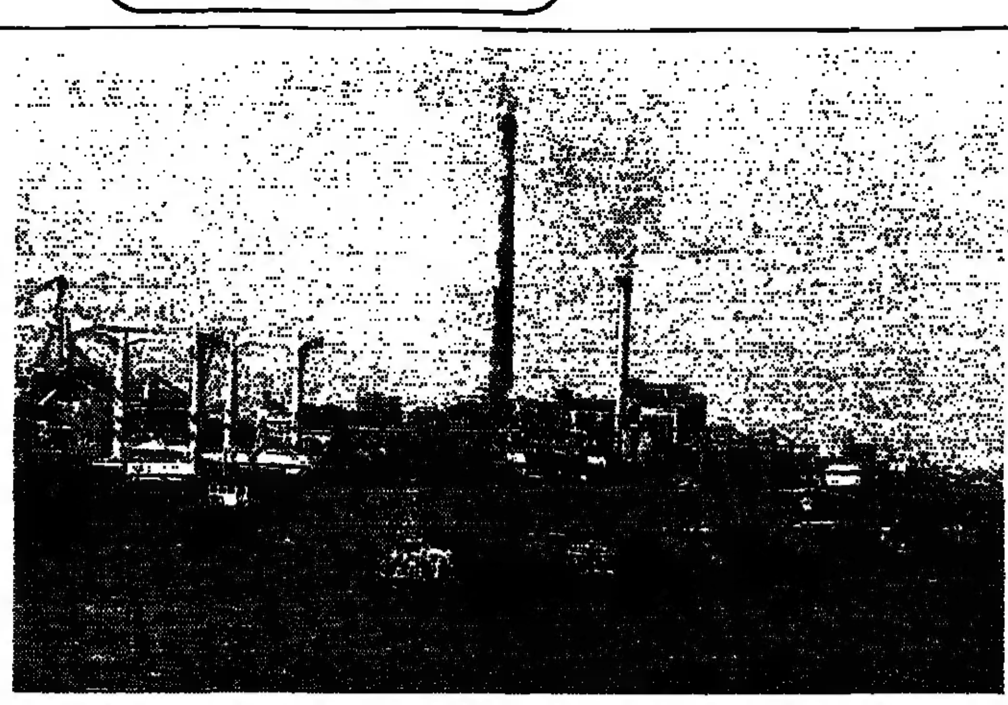
For example, Shanghai Vacuum, the largest of the seven companies publicly quoted on the infant Shanghai stock exchange, was forced by the municipality to take on 2,400 workers from failed local enterprises in 1989. This added RMB 7m to its annual payroll, and did nothing for profits.

Yanzheng Industrial, a smaller quoted stock on the Shanghai exchange, had just 100 staff until the local Jing An district government forced it to assume responsibility for 100 workers from a failed factory nearby. Because there is no work for these people, they have to stay at home on full pay at Yanzheng's expense. A further 200 retired workers from the failed factory were put on Yanzheng's pension scheme.

Chinese companies complain this practice is like "whipping the fast ox".

In place of practical proposals aimed at resolving the crisis at the heart of China's industry, leaders in Peking have invoked the slogan of "Quality, Variety and Efficiency" in 1991. The slogan's principal virtue is that it inflicts no damage on the icon of Marxist central planning. The longer leaders indulge in slogans rather than face head-on the problems of China's industry, the more painful the solutions are likely to be.

**China: Between Plan & Market*. World Bank, September 1990.



Shanghai's Pudong industrial area on the bank of the Huang pu: a place ripe for change

SHANGHAI

Front line for reformers

A NEW and bleak 30-storey hotel extension to the old Jingjiang Hotel in China's former commercial capital of Shanghai is said to epitomise a flashy version of the country's four economic modernisations – it has a steel structure, a multi-storey design, a revolving restaurant, and lifts going up the outside of the building.

As China struggles forward with its economic reforms, Shanghai also has two other fashionable modernisations – a proposed yuan 12bn special economic development zone called Pudong, and a new stock exchange.

Whether any of them will succeed is open to question. The Jingjiang's revolving restaurant, like those in many of Shanghai's half empty hotels, has scarcely any customers and it jerks between revolving too quickly and not moving at all. External lifts in China tend to break down. The fledgling stock exchange has taken off in a small way since it was officially launched last December, trading on the Chinese love of gambling, but little has happened yet in Pudong.

Nevertheless Shanghai, with its population of more than 12m, is the place to watch in the next few years because it has been picked out for special treatment by Peking. The idea is to use the Pudong plan as a catalyst to restore the city to its old position as the financial and business heart of China, and to start a new modernisation drive inland up the Yangtse River.

This is backed both by economic reformers, who want to breathe new life into the 1980s opening-up policies, and by older conservatives who support Shanghai's emerging mixture of limited free enterprise in a planned economy. It therefore provides an alternative focus to the highly prosperous free-wheeling southern province of Guangdong, of which Peking traditionalists disapprove – and it might in the distant future even challenge Hong Kong.

It has been led since April 1988 by Mr Zhu Rongji, a charismatic and strong-minded 62-year old mayor, who was promoted early this month to Peking to be one of China's five vice premiers. He is a reformist and is expected to continue to be involved in the development of Shanghai, especially Pudong, but will probably be succeeded as mayor by Mr Huang Ju, a vice mayor who has been in charge of financial policy including foreign investment.

His support in Peking is assumed to be based on firm backing from Mr Deng Xiaoping, China's veteran leader, supported by Mr Jiang Zemin, the Communist Party general secretary who used to be in Shanghai.

This has helped him to: shake up the bureaucracy (making marginal inroads into entrenched inertia); begin to tackle creaking infrastructural problems with major projects; encourage foreign loans and investment; pave the way for six new foreign banks; improve the lot of foreign joint ventures; open the stock exchange; and launch Pudong as a symbol of a new future.

The main reform now being finalised is for housing. The aim is to tap private savings and create more funds for housebuilding, improve maintenance, and encourage expansion of private housing which now accounts for 20 per cent of the total. People renting or buying accommodation will have to contribute to a central provident fund which they can then draw on later, and rents are being raised.

But, despite all this, Mr Zhu has only scratched at the surface of an old industrial city which almost defies modernisation. Economic performance is hit by antiquated over-manned factories, and Peking drains the city of much of its surplus funds.

While GNP grew by 3.1 per cent last year (down from 5.3 per cent in 1989), according to government figures, the output from state sector enterprises declined by 0.6 per cent. It was pulled down by municipally owned factories which dropped 1.6 per cent, while those controlled and favoured by Peking grew by 9 per cent.

Mr Zhu has not managed to in push through a policy of closing old loss-making factories - there are some 10,000 old run-down enterprises - though a little progress has been made by merging manufacturers of similar products into about 30-40 enterprise groups.

But he has begun to change the climate for foreign joint ventures and two of the country's most successful (rated by a government newspaper) are in Shanghai producing Volkswagen cars and Pilkington glass. Foreign managers say that, despite all the problems, Shanghai has definite benefits, including an industrial base for component manufacture.

For nearly 40 years after the Communists came to power, Shanghai was used by Peking as a cash cow for Peking's coffers. This was arrested three years ago and a new 50-50 formula for sharing payments with the capital was introduced. But Peking has continued to make extra demands and a total of around yuan 13bn has been handed over in each of the past two years, leaving only about 25 per cent of yuan 16-17bn total revenues for local spending.

This is however partly offset by Peking aid for Pudong which, in every way, is Shanghai's main hope for the future.

John Elliott

Stockbrokers take the floor in a former hotel ballroom

Old tune is heard again

SHANGHAI'S old and distinguished Astor Hotel, located at the end of the riverside Bund which housed the city's former financial centre, has a new lease of life.

With a nice touch of irony which officials insist is accidental, half of its premises (now renamed the Pujiang Hotel) have been converted to house Shanghai's fledgling stock exchange which was formally opened with much fanfare last December.

A grand and renovated wood-panelled entrance hall leads to the old Astor ballroom where the tunes of foxtrots and waltzes have been replaced by the silence of numbers flickering on a large prices screen and about 25 or so computer terminals, surrounded by red-jacketed jobbers.

Poorly dressed men and women queue on the pavement outside to place their savings, while others less well off peer uncertainly through the front door at this rather unlikely re-emergence of capitalism in Communist China.

But this does not mark an imminent conversion of China's centrally planned and provincially controlled economy into a share-owning society – and it may well be years before one can safely forecast whether this very cautious and hesitant experiment will have any significant impact on the country's economy.

In a small way, however, it is a significant development - along with a more unruly stock market in the southern special economic zone of Shenzhen, adjacent to Hong Kong, and a nation-wide treasury bond trading system, called Securities Automated Quotations System (STAQ) which was launched in Peking last December, linking six cities and 18 licensed trading corporations. Guangzhou, capital of the southern province of Guangdong, is also considering a stock exchange.

The significance is that there are sufficient economic reformers in Peking and elsewhere to push the experiments through, despite the ideological opposition of officials who fear both the economic and social implications, and despite the country's political uncertainty which deters bureaucratic initiative.

The central government wants to try to ease its acute cash shortage by encouraging secondary markets for about yuan 114bn bonds already in circulation, and by tapping an estimated total of yuan 700bn-1,000bn personal savings.

In Shanghai, there were extra reasons last December for formalising local bond and share trading which had been taking place since the mid-1980s across banking counters and on kerb-sides in seven or eight company stocks and 25 bonds issued by the government, financial institutions and companies.

Peking wants to recreate Shanghai as China's financial capital and it also wants to attract funds for an ambitious $10bn industrial and commercial development planned in an area of Shanghai called Pudong. "The securities market is a long term aim to develop a financial market which will help to finance Pudong and will introduce market mechanisms into resource allocation and company management," says Mr He Gaosheng, director of the Office of Shanghai Economic System Reform.

"But public ownership will remain the mainstay, and the share system will not become very important – it is only on trial at present and that will last for perhaps five or ten years or more."

At least some claim of the quoted companies claim that they have new managerial freedom, even though the government is still effectively in control.

"We have more autonomy in our management and less direct intervention by the government so we make quicker decisions on investment and other issues," says Mr Liang Zhengsheng, vice general manager of Shanghai Vacuum Electron Device, an amalgamation of six factories producing television tubes and other electrical goods which in 1987 became the first government enterprise to have shareholders.

Shanghai's Developments were held up by China's economic rectification policy of the past two years, but the potential has been demonstrated since December.

Trading, which is dominated by the bond market, has rocketed from an average of yuan 6m a day in December to yuan 42m a day last month. Mr Wei Wenyuan, general manager of the exchange, forecasts that it could reach yuan 6bn this year, up from yuan 2.4bn last year and yuan 800m in 1989. An estimated 1m people out of Shanghai's 13m population are believed to have participated in securities transactions.

Institutions such as insurance companies, labour unions and workers retirement funds are estimated to account for about 40 per cent of trading, and the rest is by individuals.

There are various forecasts about how fast the market will grow. The bond business might double in a year or so but the speed of the introduction of new companies is less clear.

Plans are being drawn up – but could take some time to come into force – to allow foreign investors to buy a special designation of B shares in certain companies and at least one foreign joint venture has applied to be quoted.

In Shenzhen, where trading began in 1987, transactions last year totalled yuan 1.77bn, mainly in equities. There are only five listed companies and there was such rampant speculation last year, much on a kerb-side black market and involving local officials, that government restrictions were imposed and formal approval for the opening of a new stock exchange headquarters and trading floor was delayed.

Such problems underline why there is deep suspicion and concern about allowing any rapid expansion.

John Elliott

Free market street scene: a natural, unstoppable habit

Colina MacDougall takes the pulse of Sichuan province

Determined to go its own way

"SICHUAN is the poorest province in China", says bouncy and fast-talking Ma Lin, the vice-governor in charge of the economy. "We're worse off even than Tibet – our yearly per capita income is only yuan 104. Tibet gets yuan 1bn a year in aid from Peking, and we're given nothing, although our population of minorities is twice that of Tibet's."

His solution is more reform. Sichuan was famous as the launching pad for the successful rural reforms of the late 1970s, under its then leader, the now-disgraced former party boss, Zhao Ziyang. Vice-governor Ma, who hails from one of China's richest east-coast provinces, Jiangsu, wants a greater "opening to the outside world" – more foreign trade and investment.

Exports are already doing well. Mainly agriculture-based, they rose from around $300m in 1985 to $1.1bn in 1990.

Foreign investment has made a start, despite Sichuan's inadequate rail links and limited use of its main east-west artery, the Yangtse.

The provincial government still has the wrong idea about foreign investors. "Pepsi is eager to set up a factory in Sichuan as the population is huge and it's the centre of south-western China", said Mr Wang Chongming, vice-director of the province's commission of foreign economic relations and trade.

"We've offered them a package – if they want to come, they must renovate a steel plant and build us a TV tower with a revolving restaurant". Conditions like these seem unlikely to tempt westerners. Most of Sichaun's existing joint ventures are with Hong Kong companies who can usually make a profitable deal. A dozen or so apiece are with the US and Taiwan, and a handful with Japan. On the agenda for the future is a zinc plant, currently under discussion with Australia's BHP.

Despite the poverty, emphasised by vice-governor Ma, to the casual foreign eye Sichuan seems prosperous. Markets in Chengdu, the provincial capital, are overflowing with food, flowers, pet song-birds, fluffy jumpers and hi-fis. Guanghan county, 35 kms away and the site of a new reform experiment, is bursting with smart-looking busy shoppers.

On the other hand, Chongqing (wartime capital of Chiang Kaishek and now, at a population of 14m, China's largest city) and the neighbouring towns along the Yangtse are dilapidated and filthy. Sichuan has been officially ranked as fourth poorest province and may have slipped further.

It has serious problems such as a huge population (now 107m) and limited arable land. Half its area is mountainous, inhabited by only 6m or 7m, mainly ethnic non-Chinese, and the remaining 101m, 80 per cent of whom live off the land, are crammed into the rest.

"Our farmers are getting poorer", says Ma. "We must get on with reform." Commented one westerner with business connections in Chengdu, "Sichuan is determined to go its own way, though unlike Guangdong (where powerful Governor Ye Xuanping has ignored central government directives to cut back on reform) it hasn't openly defied Peking."

Officials are discreet, but hint at their differences with the centre. For instance, they were critical of the reflation applied to the economy last year after a massive slowdown resulting from a loan freeze. "The new credit came too late and it didn't solve the problem", said an economist with the provincial economic commission.

As in the rest of China, Sichuan's industry suffered in 1990. Adding to the burden are the hundreds of old heavy industry factories moved there under Mao Zedong's dispersal strategy of the 1960s. These are many miles from raw materials sources and markets and lose money at the best of times.

The farming population has also been hit this year, ironically by the excellent harvest. In 1990, Sichuan produced an all-time high of 42.5m tonnes of grain compared with 40.8m tonnes in 1989, but in the free-market prices fell and the state commercial departments would not buy more than agreed quotas. This means financial loss for farmers who had already bought diesel and fertiliser.

But this plenty has given the provincial government the opportunity to experiment with freeing grain prices, currently subsidised at huge cost to the central government. In Guanghan County, 35 kms from Chengdu with a population of half a million, from April 1 this year all grain was to be sold at market prices. This meant an end to farm quotas and ration tickets.

Guanghan's wage-earners will receive a subsidy to make this more palatable: it means a price-rise to around 50 fen (Chinese cents), from around 13 fen per half-kilo. Little protest is expected – in Guanghan city in mid-March shoppers at the grain store were unconcerned.

"We'll get an idea straight away of whether it induces farmers to plant more grain or less", said Mr Zhou Jiapei, director of Guanghan's Economic Restructuring Office. "Then in a few months we can see what the urban customers think." This experiment might then be applied in other parts of the country.

Sichuan's reform principles are reflected in one of China's most successful private businesses. The Minsheng Shipping Co. in Chongqing, which ran Yangtse and mainly coastal shipping before the communist victory in 1949, re-emerged after 1978 to resume its business. Now managed by 68-year-old Lu Guoji, son of the founder, this family business jumped from a turnover of $1.2m in 1985 to $40m in 1989.

The registered capital is yuan 50m, of which employees hold yuan 2m, and the rest is in family hands. Mr Lu has put his son in charge of the Hong Kong office and a cousin (a former researcher at the Chinese Academy of Sciences) into one of his light-industrial joint ventures.

Now handling about 50 containers a month, he plans to build his own container wharf and raise the number to 3,000 a month. His other businesses are multiplying. He is making piles of money where the three other (state-run) shipping companies in Chongqing are losing it. It is a pity Sichuan is not free to apply Mr Lu's private enterprise principles in other areas.

Lu Guoji, of Minsheng Shipping: a family business

Wuhan is China's natural crossroads, but is cut off by poor communications, writes **David Dodwell**

Where the papers come three days late

IF WUHAN, the capital of Hubei province, is set to become one of China's main communications hubs – as local officials claim, and a glimpse at any map would endorse – how is it that Peking newspapers take three or four days to arrive?

"We are the Chicago of the Orient," Zhao Baojiang, the mayor of Wuhan, claims in a grand hyperbolic sweep.

Wuhan is also at a critical midpoint on the Yangtze river, and sits abreast China's main north-south railway, linking Hong Kong and Guangdong in the south with Peking and the land-bridge to Europe in the north.

In a country with normal communications, Wuhan's pivotal location would project it to the commercial and industrial centre-stage. Peking papers would be available on the day of publication. But in China, it stands as a monument to the awful impoverishment of the nation's communications.

The city's time may indeed come. But it will take considerable improvements in the national transport infrastructure to transform its prospects.

It will also require the creation *in China of a true national* market. At present, a labyrinth of bureaucratic obstacles to trade across provincial boundaries – which amount to nothing less than provincial protectionism – make Wuhan's central location in China a commercial irrelevance.

This perhaps explains why Hubei province has slipped in the past five years from China's ninth most important exporter to its 13th.

It also explains why a province that is among the best endowed in China in terms of agricultural and mineral resources, and in terms of industrial and commercial capacity, has failed to make a more powerful mark among the country's magnets for foreign investment.

Hubei's endowments are prolific: the Jianghan plain which straddles the Yangtze in the heart of the province is among the most fertile in China. Its red alluvial soils grow about one fifth of the country's cotton and makes Hubei China's fifth largest grain producer.

Lakes spread across the south of the province – some of them more like inland seas – provide a living for almost a quarter of a million fish farmers, and underpin an industry in aquatic products that ranks third in China.

These together make Hubei one of China's leading textile manufacturers and a leader in food processing.

Rich supplies of iron, copper and an array of rarer minerals mainly in the east of the province around Huangshi supply one of China's largest steel complexes and a leading special steels manufacturer. These in turn underpin the country's second largest automotive manufacturer, in Shiyan in Hubei's north-west.

A combination of these resource-riches, and Hubei's pivotal location at the heart of China, make it clear that few provinces would stand to gain so much from the dismantling of centralised controls over *China's economy, and the loosening* of the domestic market.

Local officials may not yet be fully aware of the riches liberalisation can bring but in the meanwhile are committed to infrastructural improvements over the decade ahead that will be of significant help when the virtues of Hubei's prime location at the heart of China's market are allowed to come into play.

A new RMB Yuan 600m international airport will be opening in 1993. A second Yangtze road bridge joining Hankou and Wuchang will enhance north-south communications in the province and ease traffic congestion in Wuhan itself.

Railway electrification is planned. A new 50,000-line telephone exchange is being installed. Massive investment in both thermal and hydro power stations is being made.

Economic zones are being established in Wuhan and in Yichang and Huangshi along the banks of the Yangtze. They are intended to capitalise on the creation of Shanghai's Pudong special economic zone over the coming decade.

This development underlies one of the most exciting changes now underway: the re-establishment of the Yangtze, after half a century of neglect, as a critically important commercial artery in central China.

A new foreign trade port is under construction, a companion to Baihushan completed just east of Wuhan six years ago. New local shippers like Datong and Qingchuan are vying with former state monopolies and the fast-growing private shipper, Minsheng, to provide competitive services along the length of the Yangtze for the first time since 1949.

While Hubei has until recently had only modest success in attracting foreign investment, lagging in particular behind coastal provinces, recent deals provide encouraging signs. A joint venture with Citroën, agreed last year, will lead to the production of 300,000 cars a year in Wuhan and Shiyan, further enhancing the province's importance as a supplier to the national automobile market.

An optical fibre plant, to be built with help from Philips, will also be important in enhancing China's domestic telecommunications capacity.

Foreign capital used for new equipment at the Wuhan Iron and Steel works is intended to boost annual output from 5m tonnes of rolled steel to 7m tonnes by the year 2000, boosting the company's role as one of China's four main suppliers of high-quality steel.

If approval is given to the environmentally controversial Sanxia hydroelectric project, which would be built across the Yangtze in the Three Gorges on Hubei's western border with Sichuan, Hubei would become a critical supplier of power to all of central China. The 13,000MW generated by Sanxia would dwarf the recently-completed Gezhouba dam in Yichang, which generates 2,700MW and is already a critically important supplier to the Yangtze region.

All these developments point to Wuhan's preparedness for the larger role which would result from the creation of a nationwide market economy.

Local leaders pay lip service to the need for less central control of the economy and more market freedoms.

But behind the brave rhetoric, the provincial authorities are not yet willing to end subsidies to bankrupt factories.

In Wuhan, the leadership appears to have taken the first significant steps towards unleashing market forces, and lifting the burden of company subsidies from the shoulders of the government. Mayor Zhao Baojiang, who estimates that one in 10 Wuhan workers is employed in a loss-making factory, says: "We are asking workers to move into the individual enterprise sector if their factory is a 'losing money factory'."

Chinese historians say that Wuhan has often been fortunate – but only in unfortunate times.

With the ground now being well laid, a significant opening up of China's economy to market forces could bring fortune in fortunate times. Yet Wuhan would still have a long haul to become Mayor Zhao's "Chicago of the Orient".

John Elliott visits Xiamen, a buoyant city with its face to the sea

Natural magnet for Taiwan

THE old foreign trade and fishing port of Amoy in the south eastern province of Fujian could develop during the next decade into one of China's most important coastal industrial cities. Now called Xiamen, it is a special economic zone and has become a *focal point for investment from* Taiwan, 156 nautical miles away across the South China Sea.

More than 400 Taiwanese companies have received approval during the past three years to set up light industrial labour intensive factories involving investment of more than $1bn. Goods ranging from Prince and Slazenger tennis racquets and Phillips coffee pots to folding umbrellas, electronic gadgets and textiles are *being turned out in about 100* factories which have started production.

Fujian and Taiwan have had close links for centuries. More than 70 per cent of Taiwan's total 20m population originate from southern Fujian and the dialects are similar. So the area is a natural choice for Taiwan's businessmen who want to tap China's cheap labour and land, thus escaping from Taiwan's escalating costs and restrictive environmental controls.

But the investment take-up has been slow, partly because Taiwan only allows its businessmen to deal indirectly with China. This adds to costs because it involves transporting goods through Hong Kong and channelling money through New York and other financial centres.

The local economic growth rate has been between 16 and 17 per cent annually for the past two years, according to officials, with industry growing by 20 per cent – despite China's economic and political problems. Targets for the next five years have been set at the same levels.

This reflects the sudden entry of the Taiwanese, but the breakthrough that Xiamen is waiting for is an investment decision from Taiwan on a $7bn petrochemical plant which would dramatically change the city's fortunes. It would provide a primary industrial base and would make Taiwanese involvement take off with extensive down-stream industries.

The decision rests with the Taiwan government and with the industrialist involved, Mr Wang Yung-ching, head of Formosa Plastics which is one of Taiwan's largest companies. Mr Wang, whose family comes from the area, is in negotiations with Peking and Taipei and has also talked about developing ventures in banking, shipping and transport.

Taiwan, which regards itself as the rightful government of all China, is softening its policies but seems unlikely to permit full and direct investment, transport and communications for a year or so. It wants to use Mr Wang's and other possible investments as a lever to persuade China to provide some sort of overall investment protection agreement and to reduce problems of bureaucratic corruption and scarcity of raw materials.

Meanwhile, Mr Wang is in negotiations on the extent and ownership of the petrochemical plant, and Xiamen's government has started preparatory ground works on the site, financed according to some reports by Mr Wang.

The centre of Xiamen, which consists of a series of islands adjacent to the mainland with a population of 1.12m, was made a special economic zone in 1980. But it failed to develop significantly until Taiwan started to allow the indirect industrial investment in 1987-88.

The real breakthrough will come only when Taiwan permits direct investment, flights and other links

According to local government figures, a total of 980 projects, initially mostly from Hong Kong and Macao, have been approved since 1980 for projects costing $2.92bn. They include $2.12bn foreign investment, and Taiwan accounts for 410 projects worth $1.07bn.

But only $500m foreign investment has actually gone ahead and this includes $200m on a single project – a Taiwanese chemical fibre plant.

An unusually high proportion of the projects are wholly foreign owned – 309 out of the 410 – indicating that the Taiwanese want to control the businesses and do not want to delay investments while joint ventures are negotiated. Most of the production is for export, supplementing the factory owners' operations in Taiwan which often continue producing high-quality ranges.

Factory managers say that labour costs are 75 to 90 per cent lower than in Taiwan but that there is only an overall production cost saving of around 10 per cent after transport, lower levels of productivity, and other problems are taken into account.

Keen Find Sporting Goods, for example, employs 400 people to turn out 2,000 tennis racquets a day using frames imported from Taiwan via Hong Kong – international trade rules ban the import of the raw material into China.

Mr Golden Ehang, th general manager, says wages are 12 per cent of Taiwan's, but he makes only 8 per cent on overall costs. "I have come here only because the costings will improve when Taiwan's rules are eased – it's not worth it otherwise."

One of Xiamen's strengths is that there are 350,000 overseas Chinese for whom the city is an ancestral home. They include members of such famous families as Mr Lee Quan Yew of Singapore and Mrs Cory Acquino of the Philippines.

It has ambitions as a tourist destination, primarily based on the attractions of a small island adjacent to the city centre called Gulang yu which is full of colonial villas built for foreign consulates and companies 100 years ago.

To help attract investment, urgently needed infrastructure projects are now being planned. They include a Yuan 1.5bn 600 megawatt power station which is to be partly funded by Hong Kong Macao International Investment, a part-China owned Hong Kong company.

Other projects include: a Yuan 340m water supply plant, supported with loans from Japan that will cover 35 per *cent of the cost; a Yuan 350m* harbour development financed domestically; a Yuan 320m airport extension which is now seeking fresh finance after losing loans of at least Yuan 100m from Kuwait; and a Yuan 350m telecommunications expansion which has yet to be financed.

The real breakthrough, however, will only come when, eventually, Taiwan permits direct investment, air flights and other links with China.

In the meantime, Taiwan adopts a confrontational diplomatic offensive against China.

PLA soldiers on the Xiamen beach facing Taiwan: a confrontation softened by trade and kinship

The Three Gorges on the Yangtse River: a "Stalinist folly" would spoil more than the view

Colina MacDougall

Plan to dam the mighty Yangtse stirs environmental fears

Revival of a 70 year-old dream

ONE of the most beautiful and romantic stretches of water in the world is the Yangtse river where it flows through three massive gorges below Chongqing, in the south-west province of Sichuan.

The misty cliffs which overhang it have figured in many a famous Chinese painting and the trees and wild life up the side valleys are increasingly precious in a country near-devastated by industrial pollution.

The Yangtse, or Changjiang, as the Chinese call it, is the third longest river in the world with a mean annual runoff of 9.8bn cubic metres. Flooding is a perennial threat to the tens of millions who live downstream, and in a country short of energy its waters are keenly viewed as a source of hydropower.

In 1923, Sun Yat Sen, China's first president, proposed a huge dam across the lowest gorge to control the floods. Since then the project has been endlessly debated and researched by politicians, engineers and hydro-electric specialists. The scheme surfaced again last year, though subject to further approval by the rubber-stamp National People's Congress.

Now Han Hongshu, vice-governor of Hubei province, speaks as if work is about to begin. Hubei has already done well out of the Gezhouba dam at Yichang, downstream of the gorges, which created new jobs and now provides power. In Sichuan, they are not so sure: "Of course the central government must decide, but we here think it would be better to spend the money on dams and hydropower projects upstream on the Yangtse tributaries", says Ma Lin, the Vice-governor.

Advocates of the dam point to the reduction in flood risks, the 84bn kilowatt hours of power a year that the scheme would generate and the improved navigability of the river, enabling ocean-going ships to reach Chongqing. The Ministry of Water Resources and Power set up a committee of 412 experts, of whom more than 400 supported it, while a detailed Canadian feasibility study also found in favour.

Opponents stress the enormous cost (yuan 36 bn), the number of people to be resettled (a million or so), the risk of earthquake or (in the event of a war) bomb damage and unpredictable environmental consequences. They also point to illogicalities in the concept: for power generation the reservoir upstream must be full, for flood retention empty.

In 1989, the year of the Tiananmen demonstrations, the dam became a political issue. A group of writers led by Dai Qing, later put under house arrest as a dissident, published a book opposing it as a "Stalinist folly". They accused Li Peng, the premier, a Moscow-trained electrical engineer (and a one-time head of the ministry in charge of hydro-power) of trying to bolster his own prestige by linking his name with a project once favoured by Chairman Mao.

These intellectuals are silenced now, but the questions remain. Where will the resettled population go? ("Further up the mountains" said Ministry of Water Resources officials). Could silting gradually fill the 500 km reservoir behind the dam, leaving Chongqing literally high and dry?

Wouldn't it be better for Peking to spend the money on installing equipment nationwide to save electricity rather than providing more?

One look at China shows how little care is given to the environment. The builders of the Gezhouba dam seem not to have known of the existence of the Yangtse sturgeon (now proudly displayed at the Yichang breeding station) until they bumped their noses on the new barrier going upstream to spawn.

It seems unlikely enough research has been done on river and marine life, climatic consequences, loss of land fertility or the greater scouring effects caused by a less silt-burdened river.

While China seems unlikely on grounds of cost to build the dam in the near future, it remains a threat as long as a totalitarian government in Peking can in the last resort overrule opposition.

Colina MacDougall

KEY FACTS

Area (sq km)	9,571,300
Population	1.144 bn
Head of State	*Yang Shangkun*
Currency	100 fen = 1 yuan
Average Exch Rate	1989 $1 = 4.722
	1990 $1 = 5.222

ECONOMY

	1989	1990
Total GNP (RMB bn)	1,507.7	1,740.0
Real GDP growth (%)	+3.9	+5.0
Urban per capita income (RMB)	1,277	1,387
Rural per capita income (RMB)	619	630
Gross Agric. output (bn yuan)	655.0	738.2
Total Rural output (bn yuan)	1,439.0	1,625.3
Gross indust. output (bn yuan)	288.0	2,385
Light indust. output (bn yuan)	1,082	1,180
Heavy indust. output (bn yuan)	1137	1,205
State industry losses (bn yuan)	13.6	28
Total employment (m)	137.4	139.9
Retail prices (% change pa)	17.8	2.1
Retail sales (bn yuan)	810	825
Government revenue (bn yuan)	294.79	323.65
Govt expenditure (bn yuan)	304.02	332.55
Budget deficit (bn yuan)	-9.23	-8.90
Gross external debt ($m)	44,857	N.A.
Debt service ratio (%)	10.8	N.A.
Reserves minus gold ($bn)	17,960	29,586
Trade total ($bn)	111.60	115.43
Exports ($bn)	52.50	62.07
Imports ($bn)	59.10	53.36
Trade Balance ($bn)	6.60	8.71
Exports via Hong Kong	24.14	30.82
Imports via Hong Kong	13.27	14.22

Source: IMF, Datastream, Economist Intelligence Unit

Political sniping accompanies countdown to 1997 handover

Peking distrust of UK may hit Hong Kong's prosperity

CHINA has turned the tables on Hong Kong since the Tiananmen Square crisis in June 1989 when tens of thousands of local ethnic Chinese marched through the streets in support of the Peking students' demands for democracy on the mainland.

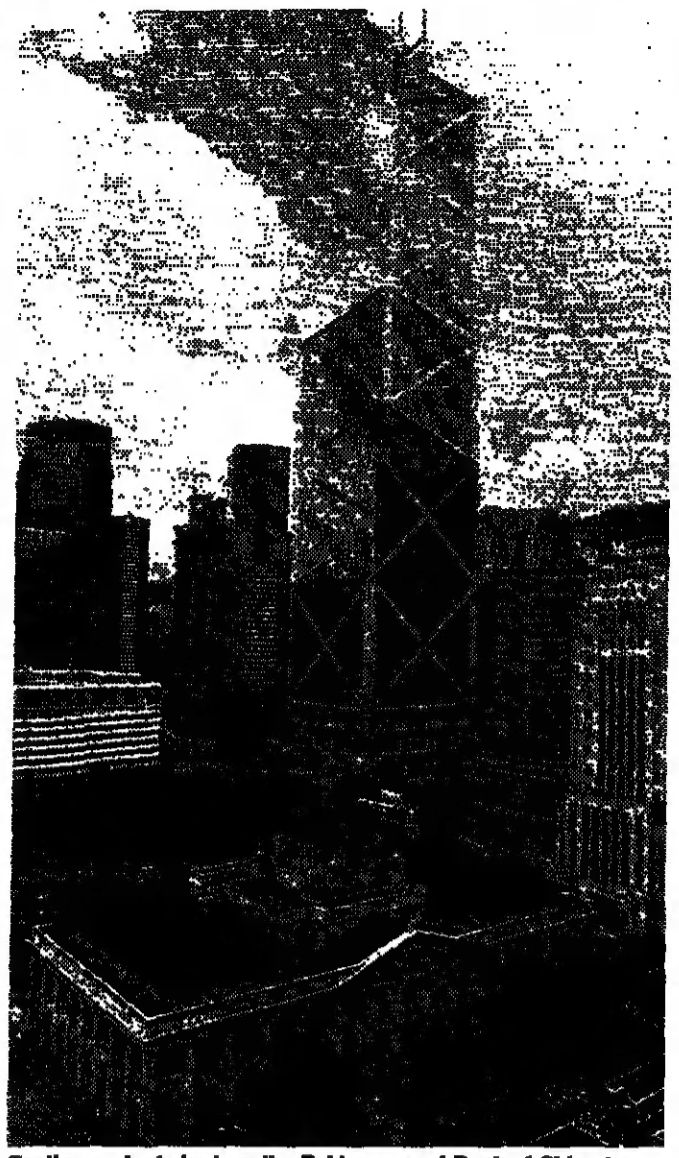
That support made China fear that the colony would develop into a centre for subversion before the UK handed over sovereignty in 1997. Consequently, Peking has become much more sensitive about developments in the colony and about plans and policies drawn up by the British and Hong Kong governments, which it distrusts.

It has launched outspoken and threatening criticisms of Hong Kong's pro-democracy movement and it has also attacked three measures announced late in 1989 to boost Hong Kong's confidence in the wake of the crushing of the Tiananmen Square student movement – a Bill of Rights, the provision of British passports for up to 225,000 people, and a massive HK$127bn (at 1988 prices) port and airport development scheme.

During the past 16 months, this approach has escalated into a crisis over plans for the airport which is now costed at HK$100bn in 1990 prices, excluding port developments included in the original 1989 plans. In particular, China has criticised the size and cost of the project and its impact on Hong Kong's post-1997 financial reserves and debt.

But behind the detailed airport arguments, China has been establishing a precedent to exert increasing influence over Hong Kong government decisions in the run-up to 1997. It has won a say over the use of the government's HK$73bn financial reserves for funding the airport, and it has demanded consultations leading to consensus on a wide range of other issues connected with the project, which it would want to scrutinise.

This is causing considerable concern in Hong Kong because it has demonstrated how easy it is for China to interfere in the colony's affairs and slow down free-market developments before and after 1997. After initial resistance, Hong Kong has accepted the need for consultation on issues such as the airport which straddle 1997, but it has been reluctant to concede demands for anything approaching consensus which could give Peking an effective veto.



Casting a giant shadow: the Peking-owned Bank of China tower block looms over Hong Kong's old colonial legislature

China and Britain agreed in 1984 that Hong Kong would enjoy a "high degree of autonomy" as a Special Administrative Region for 50 years after 1997 under a formula called "one country two systems". This was intended to leave economic and political traditions intact.

There has always been concern that China would try to fudge this agreement and interfere for a mixture of political and bureaucratic reasons after (1997, and that this would probably slow down the growth and effectiveness of Hong Kong's economy. But few people expected China to show its hand so early.

China claims it has a right to a say because the 1984 Sino-British agreement requires increased consultation in the second half of the 1984-97 transition period, which is just beginning. It also says that it has a duty to the 6m population to ensure that Britain leaves the colony and its economy in good order.

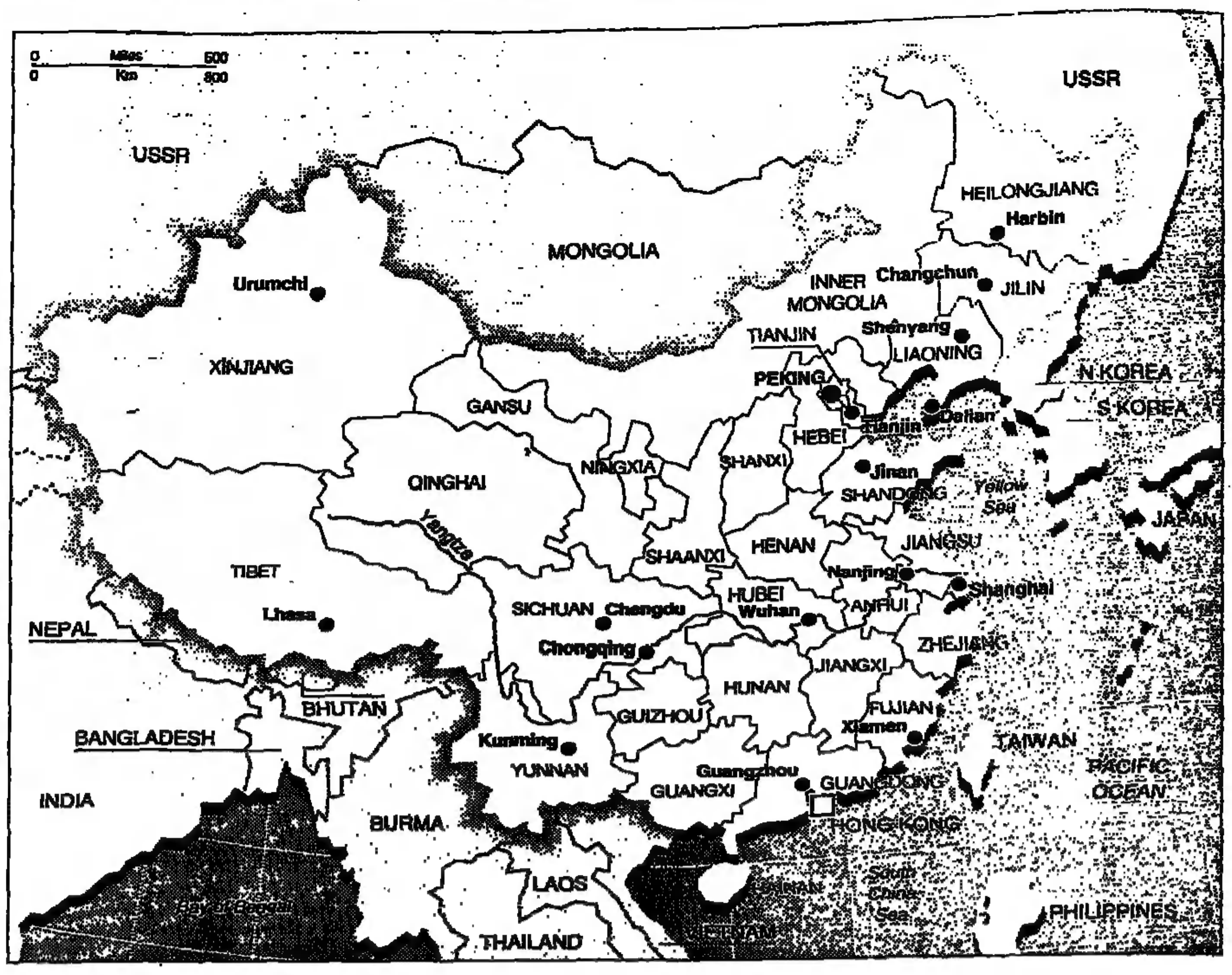
Basically, China does not trust Britain, and senior officials suspect that the UK will behave like other departing colonial powers and cream off the riches before it goes. Similar suspicions are attached to the nearby Portuguese enclave of Macao, which goes back to China in 1999, and which is also running into problems with an airport project.

In the Hong Kong scenario, the UK is suspected of organising the airport so that the colony's financial reserves could be drained to pay British companies' for money-spinning construction contracts.

There is also a lack of understanding in China about capitalism and wheeler-dealing traditions. Peking officials are concerned that Hong Kong and Macao might be behaving like other Chinese provinces which launch over-ambitious projects that cannot be completed profitably and could then land Peking with the debt.

Peking is widely acknowledged to be justified in its demands for consultation and increasing involvement in Hong Kong's affairs as 1997 approaches. But the way it has pursued this target since the Tiananmen Square crisis has seriously knocked confidence in Hong Kong's chances of survival as a thriving international entrepôt and financial centre after the sovereignty handover.

John Elliott



Trading in China is not for the light-hearted, warns **Lynne Curry**

Things to do and avoid

CHINA is a difficult place to do business. It has a lot of idiosyncrasies and doing business here takes a lot of time and effort. That is why to deal in it successfully, it is often not a place for a small company.

However, to ignore China can be a serious mistake. For experienced business people there is money to be made here.

What follows are some guidelines from veteran China traders and from Peking-based diplomats about how to do business in this complex market.

Trips should be well planned. Visas are necessary. Business visas can be obtained from any Chinese embassy, but travellers need a letter of invitation from a Chinese host organisation. For those lacking a Chinese sponsor, some embassies will help their nationals obtain one. Most, however, will not get involved.

Yet a business visa is not always necessary. For those who are coming to China for their first or second time, a tourist visa will suffice and is readily obtainable in Hong Kong.

Travelling around the country used to be a nightmare for anyone with a fixed schedule.

That has begun to change as the Civil Aviation Administration of China (CAAC), China's national airline, has gradually computerised its operations. It is now possible to buy round trip tickets to a handful of major cities in China.

Interpreters are vital for those who cannot speak Chinese. The Chinese host will always supply an interpreter, but it is better to bring their own to any business meeting.

One way to find an interpreter is for the business traveller to ask at his or her country's business trade council in Peking. For British citizens, the China Britain Trade Group in Peking and Shanghai will help at minimal cost.

Newcomers to China should be aware of significant cultural differences in the Chinese and Western ways of doing business. Patience, determination and strong financial backing are essential, but equally important is recognition of the fact that the Chinese concept of time differs dramatically from that of the west.

Negotiations with the Chinese take time and time is only occasionally important to the Chinese, a western diplomat says. First or even second time business people should not expect to conclude a deal.

During the first visit, the businessman needs to obtain from the relevant commercial sections of embassies or from the Ministry of Foreign Economic Relations and Trade (MOFERT) some idea of the official policy towards his product.

If the products are in a priority sector that is part of the government's eighth Five-Year Plan, significant opportunities may be developed. However, some products fall in a grey area or are actively discouraged by the government and banned from being imported.

There are many ways of blocking imports. China has a complex system of tariff and non-tariff controls to restrict foreign companies' access to its domestic market.

Some of the barriers include:

- import bans;
- import licenses (which can be denied if domestic alternatives are available, or if the goods are considered incompatible with China's goals);
- a strict import substitution policy that restricts competition;
- foreign exchange allocation;
- testing and certification of foreign products to specifications not applied to domestically-produced goods.

Once a businessman has decided to be in the China market, he should remember a few basic rules:

- never sign a loss leader. The Chinese are tough, organised negotiators who know the real value of any product.
- don't begin the first sale on the basis of losing money in order to gain access.
- know your end user's needs well. Rely on multiple channels for information and never use only one source.
- build a coalition of relationships with people involved in making the decision.

For those serious about being in the China market, but who cannot afford to staff it with their own representative, there are various alternatives. China's telecommunication links with the rest of the world have improved dramatically in the last decade, and calling or sending a fax is now simple.

But there is no substitute for a good agent in a country where personal relationships are extremely important.

Agents provide contacts. Just as selecting an agent is important for those exporting to China, choosing a partner in a joint venture operation is perhaps the single most important decision a foreign company will make. Finding a suitable partner takes time and knowing where to start can be a daunting process, but much depends on the foreigner's line of business and whether the goal is to export or manufacture.

Generally, big cities, the coastal provinces, and the south are favourite areas of business for foreign trade.

"Anywhere but Peking, and the farther south you go the better," a western businessman says.

Other points to consider in selecting a partner include the organisation's proximity to raw materials, electrical supply and shipping facilities.

Finally, don't let the system wear down your mental and professional faculties, as happened to a French businessman who had been negotiating with the Chinese over a problem for a year and a half.

When he believed he had finally resolved the matter and was preparing to board his aircraft for home,the Chinese came to him at the airport, saying another organisation had not agreed to the terms and problems remained.

This was too much. The Frenchman was subsequently found running naked around Tiananmen square and was taken out of China in a straitjacket.